SECURITIES & EXCHANGE COMMISSION EDGAR FILING

Paysign, Inc.

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-K

(Mark One)

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2020

o TRANSITION PURSUANT TO UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ________ to ________

Commission File Number 001-38623

PAYSIGN, INC.
(Exact name of registrant as specified in its charter)

Nevada	95-4550154
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2615 St. Rose Parkway, Henderson, Nevada 89052
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (702) 453-2221

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, $0.001 par value per share	PAYS	The Nasdaq Stock Market LLC

Securities registered under Section 12(g) of the Exchange Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer o	Accelerated filer o
Non-accelerated filer x	Smaller reporting company x
	Emerging growth company x

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether the registrant has filed a report and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262 (b)) by the registered public accounting firm that prepared or issued its audit report. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No x

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter: $297,880,651 based upon a market price of $9.71 per share.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date: 50,447,432 as of March 23, 2021.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement for its 2021 Annual Meeting of Stockholders are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated. Such Proxy Statement will be filed with the Securities and Exchange Commission within 120 days of the registrant's fiscal year ended December 31, 2020.

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Note Regarding Forward Looking Statements

This Annual Report on Form 10-K contains "forward-looking statements." These forward-looking statements are based on our current expectations, assumptions, estimates and projections about our business and our industry. Words such as "believe," "anticipate," "expect," "intend," "plan," "may," and other similar expressions identify forward-looking statements. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those reflected in the forward- looking statements. You are cautioned not to place undue reliance on these forward-looking statements, which relate only to events as of the date on which the statements are made. We undertake no obligation to publicly revise these forward-looking statements to reflect events or circumstances that arise after the date hereof. You should refer to and carefully review the information in future documents we file with the Securities and Exchange Commission.

PART I

ITEM 1. BUSINESS.

Overview

Paysign, Inc. (the "Company," "Paysign," "we" or "our") amended our articles of incorporation and changed our name from 3PEA International, Inc. to Paysign, Inc. on April 23, 2019. Additionally, we changed our trading symbol on the Nasdaq Capital Market to "PAYS." The Company acquired 3Pea Technologies, Inc., a payment solutions company, in March 2006, which resulted in 3Pea Technologies, Inc. becoming a wholly owned subsidiary.

Business of Issuer

Paysign, Inc. is a vertically integrated provider of prepaid card products and processing services for corporate, consumer and government applications. Our payment solutions are utilized by our corporate customers as a means to increase customer loyalty, increase patient adherence rates, reduce administration costs and streamline operations. Public sector organizations can utilize our payment solutions to disburse public benefits or for internal payments. We market our prepaid card solutions under our Paysign® brand. As we are a payment processor and prepaid card program manager, we derive our revenue from all stages of the prepaid card lifecycle.

We provide a card processing platform consisting of proprietary systems and software applications based on the unique needs of our clients. We have extended our processing business capabilities through our proprietary Paysign platform. Through the Paysign platform, we provide a variety of services including transaction processing, cardholder enrollment, value loading, cardholder account management, reporting, and customer service. The Paysign platform was built on modern cross-platform architecture and designed to be highly flexible, scalable and customizable. The platform's flexibility and ease of customization has allowed us to expand our operational capabilities by facilitating our entry into new markets within the payments space. The Paysign platform delivers cost benefits and revenue building opportunities to our partners.

We have developed prepaid card programs for corporate incentive and rewards including, but not limited to, consumer rebates and rewards, donor compensation, clinical trials, healthcare reimbursement payments and pharmaceutical payment assistance. We have expanded our product offerings to include additional corporate incentive products and demand deposit accounts accessible with a debit card. In the future, we expect to further expand our product offerings into other prepaid card offerings such as payroll cards, travel cards, and expense reimbursement cards. Our cards are sponsored by our issuing bank partners.

Our revenues include fees generated from cardholder fees, interchange, card program management fees, and settlement income. Revenue from cardholder fees, interchange and card program management fees is recorded when the performance obligation is fulfilled. Settlement income is recorded at the expiration of the card program.

What Are Prepaid Cards?

A prepaid card is a payment product that is pre-funded and not directly linked to an individual bank account. Prepaid cards are unlike debit cards that are attached to a personal or business checking account and draw funds from that linked account or a credit card that draws funds from a line of credit.

Prepaid cards can either be open-loop, closed-loop, or restricted-loop. Open-loop, or network-branded, prepaid cards carry an acceptance mark of a national or international payment network such as American Express, Discover, Mastercard or Visa and can be used anywhere that card brand is accepted. Closed-loop prepaid cards can only be used at a specific merchant whose name is typically branded on the card and are most likely not network branded. Restricted-loop prepaid cards may carry a network brand and can be used only at a specific group of non-affiliated merchant locations such as a shopping mall or a specific merchant category.

Open-loop, and some restricted-loop, prepaid cards are issued by a financial institution under a license of the payment network. Open-loop prepaid cards provide consumers, businesses and governments with the efficiency, security and flexibility of digital payments reducing costs associated with handling cash, checks and other paper-based payment processes, and provides the end user a payment product that is accessible and with global utility, convenient, safer than cash, can be used as a budgeting tool and contains protections against fraud and theft.

The prepaid market continues to experience significant growth due to consumers, corporations and governments embracing improved technology, greater convenience, more product choices and greater flexibility. Prepaid cards have also proven to be an attractive alternative to traditional bank accounts for certain segments of the population, particularly those without, or who could not qualify for, a checking or savings account.

The Mercator Advisory Group's *17^{th} Annual U.S. Open Loop Prepaid Cards Market Forecast 2020-2024*, shows that $374 billion was loaded on open-loop prepaid cards in the United States in 2019 and they are forecasting that total open-loop loads will have a compound annual growth rate of 4.1% between 2020 and 2024, to $466.2 billion being loaded in 2024.

Consumers, both banked and unbanked, use prepaid cards such as general purpose reloadable (GPR) cards, to conduct their day-to-day financial transactions such as paying bills, depositing checks, and receiving direct deposits. According to the 2019 FDIC Survey of Household Use of Banking and Financial Services, 8.5% of U.S. households or approximately 128 million households, use GPR prepaid cards.

Common Examples of Prepaid Cards

The prepaid card market is divided into three macro categories based on who funds the card account. These categories are consumer-funded, corporate-funded and government-funded.

Consumer-Funded Programs: The consumer prepaid category consists of products such as general purpose reloadable (GPR) cards, gift cards, travel money cards, and remittance/peer-to-peer ("P2P") cards.

> General Purpose Reloadable Cards: A type of prepaid card typically purchased by a consumer for his/her personal use to pay for purchases, pay bills and/or access cash at ATMs. GPR cards may be purchased online and in retail locations from a variety of providers. Funds may be loaded onto the card by direct deposit of wages or benefits or at retail locations offering prepaid card reload services.
>
> Gift Cards*:* A non-reloadable prepaid card that is purchased by a gift giver to be given to a gift recipient.

Corporate-Funded Programs: The corporate prepaid category consists of products such as employee/partner incentives, consumer incentives, payroll, employee benefits, healthcare, corporate expense and business travel, insurance claim disbursement, etc.

Our Products and Services

As a payment processor and prepaid card program manager, our payment solutions are utilized by our customers as a means to increase customer loyalty, increase brand recognition, reward customers, agents and employees while reducing administration costs and streamlining operations. We manage all aspects of the prepaid card lifecycle, from the card design and approval processes with partners and networks, to production, packaging, distribution, and personalization. We also oversee inventory and security controls, renewals, and lost and stolen card management and replacement. We provide in-house customer service which includes live bilingual customer care representatives staffed 24/7/365. We also run in-house Interactive Voice Response (IVR) and two-way SMS messaging platforms. As we do not have our own banking license to issue open-loop prepaid cards, our cards are offered to end users through our relationships with bank issuers.

As an end-to-end payment processor and prepaid card program manager, we derive our revenue from all stages of the card lifecycle. These revenues can include fees from program set-up; customization and development; data processing and report generation; card production and fulfillment; transaction fees derived from card usage; inactivity fees; card replacement fees; program administration fees; and settlement income.

To date, we have issued millions of prepaid cards under programs implemented for Fortune 500 companies, multinationals, as well as top pharmaceutical manufacturers, universities and social media companies.

As of December 31, 2020, we had approximately 3.5 million cardholders participating in approximately 360 card programs.

In our early years of operations, we focused mainly on providing co-pay assistance prepaid cards to the pharmaceutical industry. In 2011, we began marketing a corporate incentive prepaid card-based payment solution targeting the plasma donation industry. More recently, having built the necessary infrastructure and added essential staff, we have increased our focus and sales efforts on corporate incentive and corporate expense card programs as well as retargeting the pharmaceutical industry with co-pay assistance, buy and bill and other prepaid programs designed to maximize patient enrollment, adherence and retention.

The Paysign® Brand

In order to leverage the capabilities of the Paysign platform and successfully expand our product offerings, we established the Paysign brand of prepaid cards and solutions. The Paysign brand encompasses all of our current and future prepaid product offerings, including but not limited to, corporate incentives, healthcare related payment solutions for clinical trials, donations and co-pay assistance, payroll, settlement payments, corporate expense cards and solutions designed for the public sector as well as general purpose reloadable prepaid cards. Paysign is a registered trademark of the Company in the United States and other countries.

Corporate Incentives

Our Paysign corporate incentive cards offer businesses a practical and contemporary way to reward and motivate existing and potential customers, employees, donors, patients, clinical trial participants, sales professionals, agents and distributors. We develop incentive card programs, either traditional plastic or virtual, that our customers use for a wide variety of applications, including but not limited to: consumer rebates for large purchases or frequent buyers; trade incentives for third party distributors; new product launches and commission based sales incentives; consumer promotions such as automobile test drives; purchase incentives; loyalty rewards; compensation for the time and effort of donating; pharmaceutical payment assistance; referral programs; event giveaways; and purchase incentives. The Paysign solution can be integrated into existing payment management systems or act as a stand-alone solution. All Paysign cards are accepted anywhere Visa is accepted.

Key benefits of our corporate incentive cards are:

- Reduced costs: Operating and administrative costs associated with processing traditional paper checks are reduced.
- Co-Branding: Our clients can promote their brands as the card can include the corporate sponsor's logo. The card itself advertises the sponsor's brand.
- Customization: Our Paysign platform allows for easy customization of our corporate incentive card products. For example, our clients can select merchants or merchant categories which dictate where the card will be accepted. Our clients can receive customized reports, track card usage and attach surveys to the activation process to gain market intelligence.
- Speed to Market: Our clients can get rewards and incentives to the intended recipients in a much quicker manner than traditional methods using our corporate incentive card products.

Per Diem/ Corporate Expense Payments

Per Diem, Corporate Expense and Business Travel Cards are reloadable prepaid card that allows businesses, non –profits and government agencies the ability to control employee spending while reducing administration costs by eliminating the need for traditional expense reports. We are currently focusing on marketing these card products to large corporations.

Pharmaceutical Market

Our Paysign solutions for the pharmaceutical industry are a specialized, adjudicated solution that pays all or a portion of a patient's out-of-pocket costs associated with a prescription drug purchase. Funds are provided by the sponsoring pharmaceutical company for use at retail pharmacies, specialty pharmacies, hospitals, doctors' offices and clinics nationwide.

Our pharmaceutical solutions provide payment claims processing and other administrative services for clients, in real-time, according to client benefit plan designs. Our solutions present a cost-effective payment delivery vehicle by providing real-time financial benefit for both consumers and pharmaceutical companies. Our offerings also allow clients to directly manage more of their pharmacy benefits and include pharmacy claims adjudication, network and payment administration, client call center service and support, reporting, rebate management, as well as implementation, training and account management.

Co-Pay Assistance Program

Our Co-Pay Assistance Program is a pharmaceutical payment card product which is adjudicated as a secondary claim at the point of purchase. The adjudication process determines what funds will be loaded onto the card by applying business rules designed by the pharmaceutical company. The loaded funds are then immediately applied to the prescription purchase at the point of purchase for the patient benefit. The card is used to defray out-of-pocket costs for the prescription. Key features and benefits of our Paysign card for the Co-Pay Assistance Program are:

- Tracking and auditing "free samples" is no longer required, as the retail pharmacy network serves as the distribution mechanism for new prescriber promotions.

- The patient's primary insurance pays the standard adjudicated amount for prescription fills that would historically be "free samples".

- The distribution of cards enables far superior prescriber and patient data collection for the sponsoring pharmaceutical company through the use of automated questionnaires required to activate the cards.

- The marketing programs can be better designed to meet the specifications and needs of the sponsoring pharmaceutical company as compared to programs involving the distribution of physical samples.

- Because the card operates like a debit card, pharmacy retailers are paid instantly for the adjudicated promotional cost on covered prescription transactions.

- We provide a set of comprehensive, customizable reporting modules to our pharmaceutical clients.

Buy and Bill Program

Where Paysign's standard pharmaceutical Co-Pay Assistance Program provides payment for self-administered pharmaceuticals purchased at a pharmacy, Paysign's Buy and Bill Program is designed to provide a benefit for patients when purchasing directly from their physician's office or through an infusion center for physician administered therapies.

Source Plasma Donor Payments

Plasma derived therapies are lifesaving treatments used to treat various rare conditions. Plasma based therapies are manufactured using human plasma, which is the yellow liquid portion of whole blood that can be easily replaced by the body. Plasma makes up approximately 55 percent of whole blood and consists primarily of water and proteins. Source plasma is the plasma collected from individual donors that serves as the raw material for the further manufacture into these lifesaving therapies. Historically, source plasma donation centers compensated their donors with cash or checks. Over the past several years, plasma donation centers have migrated to a prepaid card solution for donor payments.

The Company offers a comprehensive customized payment solution for source plasma collection centers under the Paysign brand. The solution consists of the Paysign Plasma Donor Compensation Prepaid Card, the Paysign Partner Portal for administrators, and the Paysign Kiosk. The solution offers customized reporting and provides a level of business analytics previously unavailable. The solution can be utilized either as a stand-alone web-based solution or integrated with existing donor management systems, giving plasma donation centers an increased level of flexibility. The Company entered the market in late 2011 and has seen significant growth in this market segment. Currently, the Company services approximately 36% of the plasma collection centers in the US.

DDA Debit Cards—Paysign Premier

Recently, providers of GPR card products, in response to changes in the regulatory environment, have introduced new products similar to a GPR card but that act as true demand deposit accounts accessible with a debit card ("DDA Debit Card"). These DDA Debit Cards offer many of the features and functionalities of a traditional debit card associated with a standard bank account, including overdraft protection. The Company began marketing its DDA Debit Card, branded Paysign Premier Digital Bank Account, in the third quarter of 2019. The Company markets this product to a targeted portion of its existing cardholder base through existing communication points and to customers and employees of new clients.

Other Services

Customer Service Center

In order to provide a full range of services to our customers, we offer a fully staffed, in-house Customer Service Center which is operational 24 hours a day, 7 days per week consisting of live bilingual customer care representatives. The Paysign Platform provides Interactive Voice Response ("IVR"), SMS alerts and two-way SMS messaging, allowing cardholders to set alerts and check their balances and transaction history without the assistance of a live customer service operator. We believe our in-house customer service center provides the highest quality customer service experience for our clients as training is performed on-site by Paysign staff.

The Paysign Communications Suite

To help maximize the cardholder experience, cardholders can access their card balances and transaction history, as well as other information as dictated by the program, such as an ATM locator, a loyalty point counter, and geo-specific messaging through a number of touchpoints such as the Paysign kiosk, the Paysign Mobile App, two-way SMS, text alerts and the Paysign cardholder web portal.

Technology

Our technology platform employs a standard enterprise services bus in a service-oriented architecture, configured for 24/7/365 transaction processing and operations. We utilize two secure, interconnected, environmentally-controlled data centers, with emergency power generation capabilities, and fully redundant capabilities. We use a variety of proprietary and licensed standards-based technologies to implement our platforms, including those which provide for orchestration, interoperability and process control. The platforms also integrate a data infrastructure to support both transaction processing and data warehousing for operational support and data analytics.

Competition

The markets for financial products and services, including prepaid cards and services related thereto, are intensely competitive. We compete with a variety of companies in our markets and our competitors vary in size, scope and breadth of products and services offered. Certain segments of the financial services and healthcare industries tend to be highly fragmented, with numerous companies competing for market share. Highly fragmented segments currently include financial account processing, customer relationship management solutions, electronic funds transfer and prepaid solutions.

Many of our existing and potential competitors have longer operating histories, greater financial strength and more recognized brands in the industry. These competitors may be able to attract customers more easily because of their financial resources and awareness in the market. Our larger competitors can also devote substantially more resources to business development and may adopt more aggressive pricing policies. To compete with these companies, we rely primarily on direct marketing strategies including strategic marketing partners.

Sales and Marketing

We market our Paysign payment solutions through direct marketing by the Company's sales team. Our primary market focus is on companies and municipalities that require a streamlined payment solution for rewards, rebates, payment assistance, and other payments to their customers, employees, agents and others. To reach these markets, we focus our sales efforts on direct contact with our target market and attendance at various industry specific conferences. We may, at times, utilize independent contractors who make direct sales and are paid on a commission basis only.

We market our Paysign Premier product through existing communication channels to a targeted segment of our existing cardholders, as well as to a broad group of individuals, ranging from non-banked to fully banked consumers with a focus on long term users of our product.

Markets and Major Customers

We have no major customers and are not reliant on any individual card program. We manage multiple programs at any given time. As of December 31, 2020, we managed approximately 360 card programs with approximately 3.5 million participating cardholders.

Implications of Being an Emerging Growth Company

Paysign qualifies as an "emerging growth company," as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. An emerging growth company may take advantage of reduced reporting requirements that are otherwise applicable to public companies. These provisions include, but are not limited to:

- the option to present only two years of audited financial statements and two years of related Management's Discussion and Analysis of Financial Condition and Results of Operations in the Annual Report on Form 10-K;

- reduced disclosure obligations regarding executive compensation in periodic reports, proxy statements and registration statements; and

- exemptions from the requirements of holding nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved.

We have elected to take advantage of certain reduced disclosure obligations in this Annual Report on Form 10-K and may elect to take advantage of other reduced reporting requirements in future filings. As a result, the information that we provide to our stockholders may be different from what you might receive from other public reporting companies in which you hold equity interests.

In addition, under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have elected to avail ourselves of this exemption and, as a result, our financial statements may not be comparable to the financial statements of issuers who are required to comply with the effective dates for new or revised accounting standards that are applicable to public companies. Section 107 of the JOBS Act provides that we can elect to opt out of the extended transition period at any time, which election is irrevocable.

We will remain an emerging growth company until the earliest to occur of: (i) the last day of the first fiscal year in which our annual gross revenues exceed $1.07 billion; (ii) the last day of 2024; (iii) the date that we become a "large accelerated filer" as defined in Rule 12b-2 under the Securities Exchange Act of 1934, as amended (referred to as the Exchange Act), which would occur if the market value of our common equity held by non-affiliates exceeds $700.0 million as of the last business day of our most recently completed second fiscal quarter; or (iv) the date on which we have issued more than $1.0 billion in non-convertible debt securities during any three-year period.

Regulations

Introduction

We operate in a highly regulated environment and are subject to extensive regulation, supervision and examination. Applicable laws and regulations may change, and there is no assurance that such changes will not adversely affect our business. Regulatory authorities have extensive discretion in connection with their supervisory and enforcement activities, including but not limited to the imposition of restrictions on the operation of financial institutions we may work with. Any change in such regulation and oversight, whether in the form of restrictions on activities, regulatory policy, regulations, or legislation, including but not limited to changes in the regulations governing banks, could have a material impact on our operations.

Our products and services are generally subject to federal, state and local laws and regulations, including:

- anti-money laundering laws;

- money transfer and payment instrument licensing regulations;

- escheatment laws;
- privacy and information safeguard laws;
- bank regulations;
- consumer protection laws;
- false claims laws and other fraud and abuse restrictions; and
- privacy and security standards under the Health Insurance Portability and Accountability Act (HIPAA) or other laws.

These laws are often evolving and sometimes ambiguous or inconsistent, and the extent to which they apply to us or the banks that issue our cards, our clients or our third party service providers is at times unclear. Any failure to comply with applicable law — either by us or by the card issuing banks, our client or our third party service providers, over which we have limited legal and practical control — could result in restrictions on our ability to provide our products and services, as well as the imposition of civil fines and criminal penalties and the suspension or revocation of a license or registration required to sell our products and services. See "Risk Factors" for additional discussion regarding the potential impacts of changes in laws and regulations to which we are subject and failure to comply with existing or future laws and regulations.

We continually monitor and enhance our compliance program to stay current with the most recent legal and regulatory changes. We also continue to implement policies and programs and to adapt our business practices and strategies to help us comply with current legal standards, as well as with new and changing legal requirements affecting particular services or the conduct of our business generally.

Anti-Money Laundering Laws

Our products and services are generally subject to federal anti-money laundering laws, including the Bank Secrecy Act, as amended by the USA PATRIOT Act, and similar state laws. On an ongoing basis, these laws require us, among other things, to:

- report large cash transactions and suspicious activity;
- screen transactions against the U.S. government's watch-lists, such as the watch-list maintained by the Office of Foreign Assets Control;
- prevent the processing of transactions to or from certain countries, individuals, nationals and entities;
- identify the dollar amounts loaded or transferred at any one time or over specified periods of time, which requires the aggregation of information over multiple transactions;
- gather and, in certain circumstances, report customer information;
- comply with consumer disclosure requirements; and
- register or obtain licenses with state and federal agencies in the United States and seek registration of any retail distributors when necessary.

Anti-money laundering regulations are constantly evolving. We continuously monitor our compliance with anti-money laundering regulations and implement policies and procedures to make our business practices flexible, so we can comply with the most current legal requirements. We cannot predict how these future regulations might affect us. Complying with future regulation could be expensive or require us to change the way we operate our business.

Money Transfer and Payment Instrument Licensing Regulations

We are not currently subject to money transfer and payment instrument licensing regulations; however, we have plans to introduce products in the future that would be subject to such regulations. Currently, we believe that 39 U.S. jurisdictions would require us to obtain a license to operate a money transfer business. As a licensee, we would be subject to certain restrictions and requirements, including reporting, net worth and surety bonding requirements and requirements for regulatory approval of controlling stockholders, agent locations and consumer forms and disclosures. We would also be subject to inspection by the regulators in the jurisdictions in which we are licensed, many of which conduct regular examinations. In addition, we would be required to maintain "permissible investments" in an amount equivalent to all "outstanding payment obligations."

Escheatment Laws

Unclaimed property laws of every U.S. jurisdiction require that we track certain information on our card products and services and that, if customer funds are unclaimed at the end of an applicable statutory abandonment period, the proceeds of the unclaimed property be remitted to the appropriate jurisdiction.

Privacy and Information Safeguard Laws

In the ordinary course of our business, we or our third party service providers collect certain types of data, which subjects us to certain privacy and information security laws in the United States, including, for example, the Gramm-Leach-Bliley Act of 1999, and other laws or rules designed to regulate consumer information and mitigate identity theft. We are also subject to privacy laws of various states. These state and federal laws impose obligations with respect to the collection, processing, storage, disposal, use and disclosure of personal information, and require that financial institutions have in place policies regarding information privacy and security. In addition, under federal and certain state financial privacy laws, we must provide notice to consumers of our policies and practices for sharing nonpublic information with third parties, provide advance notice of any changes to our policies and, with limited exceptions, give consumers the right to prevent use of their nonpublic personal information and disclosure of it to unaffiliated third parties. Certain state laws may, in some circumstances, require us to notify affected individuals of security breaches of computer databases that contain their personal information. These laws may also require us to notify state law enforcement, regulators or consumer reporting agencies in the event of a data breach, as well as businesses and governmental agencies that own data. In order to comply with the privacy and information safeguard laws, we have confidentiality/information security standards and procedures in place for our business activities and with our third-party vendors and service providers. Privacy and information security laws evolve regularly, requiring us to adjust our compliance program on an ongoing basis and presenting compliance challenges.

Bank Regulations

All of the cards that we service are issued by a state-chartered bank. Thus, we are subject to the oversight of the regulators for, and certain laws applicable to, these card issuing banks. These banking laws require us, as a servicer to the banks that issue our cards, among other things, to undertake compliance actions similar to those described under "Anti-Money Laundering Laws" above and to comply with the privacy regulations promulgated under the Gramm-Leach-Bliley Act as discussed under "Privacy and Information Safeguard Laws" above.

Consumer Protection Laws

Certain products that we anticipate introducing in the future will likely be subject to additional state and federal consumer protection laws, including laws prohibiting unfair and deceptive practices, regulating electronic fund transfers and protecting consumer nonpublic information. Before we can introduce those products, we will have to develop appropriate procedures for compliance with these consumer protection laws.

Card Networks

In order to provide our products and services, we, as well as the banks that issue our cards, must be registered with Visa and/or MasterCard, as well as any other networks that we desire to use, such as Discover, Pulse, NYCE and Star, and, as a result, are subject to card association rules that could subject us to a variety of fines or penalties that may be levied by the card association or network for certain acts or omissions. The banks that issue our cards are specifically registered as "members" of the Visa and/or MasterCard card networks. Visa and MasterCard set the standards with which we and the card issuing banks must comply.

False Claims Laws and Other Fraud and Abuse Restrictions

We provide claims processing and other transaction services to pharmaceutical companies that relate to, or directly involve, the reimbursement of pharmaceutical costs covered by Medicare, Medicaid, other federal healthcare programs and private payers. As a result of these aspects of our business, we may be subject to, or contractually required to comply with, state and federal laws that govern various aspects of the submission of healthcare claims for reimbursement and the receipt of payments for healthcare items or services. These laws generally prohibit an individual or entity from knowingly presenting or causing to be presented claims for payment to Medicare, Medicaid or other third party payers that are false or fraudulent. False or fraudulent claims include, but are not limited to, billing for services not rendered, failing to refund known overpayments, misrepresenting actual services rendered in order to obtain higher reimbursement, improper coding and billing for medically unnecessary goods and services. Many of these laws provide significant civil and criminal penalties for noncompliance and can be enforced by private individuals through “whistleblower” or qui tam actions. To avoid liability, providers and their contractors must, among other things, carefully and accurately code, complete and submit claims for reimbursement.

From time to time, participants in the healthcare industry, including us, may be subject to actions under the federal False Claims Act or other fraud and abuse provisions. We cannot guarantee that state and federal agencies will regard any billing errors we process as inadvertent or will not hold us responsible for any compliance issues related to claims we handle on behalf of providers and payers. Although we believe our editing processes are consistent with applicable reimbursement rules and industry practice, a court, enforcement agency or whistleblower could challenge these practices. We cannot predict the impact of any enforcement actions under the various false claims and fraud and abuse laws applicable to our operations. Even an unsuccessful challenge of our practices could cause adverse publicity and cause us to incur significant legal and related costs.

Privacy and Security Standards under HIPAA or Other Laws.

The Health Insurance Portability and Accountability Act of 1996 contains privacy regulations and the security regulations that apply to some of our operations. The privacy regulations extensively regulate the use and disclosure of individually identifiable health information by entities subject to HIPAA. For example, the privacy regulations permit parties to use and disclose individually identifiable health information for treatment and to process claims for payment, but other uses and disclosures, such as marketing communications, require written authorization from the individual or must meet an exception specified under the privacy regulations. The privacy regulations also provide patients with rights related to understanding and controlling how their health information is used and disclosed. To the extent permitted by the privacy regulations from the American Recovery and Reinvestment Act (ARRA), and our contracts with our customers, we may use and disclose individually identifiable health information to perform our services and for other limited purposes, such as creating de-identified information. Determining whether data has been sufficiently de-identified to comply with the privacy regulations and our contractual obligations may require complex factual and statistical analyses and may be subject to interpretation. The security regulations require certain entities to implement and maintain administrative, physical and technical safeguards to protect the security of individually identifiable health information that is electronically transmitted or electronically stored. We have implemented and maintain policies and processes to assist us in complying with the privacy regulations, the security regulations and our contractual obligations. We cannot provide assurance regarding how these standards will be interpreted, enforced or applied to our operations. If we are unable to properly protect the privacy and security of health information entrusted to us, we could be subject to substantial penalties, damages and injunctive relief.

In addition to HIPAA, numerous other state and federal laws govern the collection, dissemination, use, access to and confidentiality of individually identifiable health information and healthcare provider information. In addition, some states are considering new laws and regulations that further protect the confidentiality, privacy and security of medical records or other types of medical information. In many cases, these state laws are not preempted by the HIPAA privacy regulations and may be subject to interpretation by various courts and other governmental authorities. Further, the U.S. Congress and a number of states have considered or are considering prohibitions or limitations on the disclosure of medical or other information to individuals or entities located outside of the United

States.

Patents and Trademarks

We protect our intellectual property rights through a combination of trademark, patent, copyright and trade secrets laws.

In order to limit access to and disclosure of our intellectual property and proprietary information, all of our employees and consultants have signed confidentiality and we enter into nondisclosure agreements with third parties. We cannot provide assurance that the steps we have taken to protect our intellectual property rights, however, will deter adequately infringement or misappropriation of those rights. Particularly given the international nature of the Internet, the rate of growth of the Internet and the ease of registering new domain names, we may not be able to detect unauthorized use of our intellectual property or proprietary information, or to take enforcement action.

Employees and Independent Contractors

As of December 31, 2020, we had approximately seventy employees and independent contractors.

We have no collective bargaining agreements with our employees, and believe all independent contractor and employment agreement relationships are satisfactory. We hire independent contractors on an as-needed basis, and we may retain additional employees and consultants during the next twelve months, including additional executive management personnel with substantial experience in development business.

Available Information

Our internet address is www.paysign.com. Information on our website does not constitute part of this Annual Report.

ITEM 1A. RISK FACTORS.

An investment in our common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described below, together with all of the other information in this Form 10-K, including our consolidated financial statements and related notes. If any of the following risks actually occurs, our business, financial condition, results of operations and future prospects could be materially and adversely affected. In that event, the market price of our common stock could decline and you could lose part or all of your investment. All forward-looking statements made by us or on our behalf are qualified by the risks described below.

Risks Related to Our Business

We may be unable to grow our business in future periods, and if our revenue growth slows, or our revenues decline further, our business and financial conditions could be adversely affected.

Our growth rates may decline in the future. In fiscal 2020, we experienced declines in our revenues. There can be no assurance that we will be able to grow our business in future periods. In the near term, our growth depends in significant part on our ability, among other things, to enter new markets and to continue to attract new clients, and to retain our current clientele. Our growth also depends on our ability to develop and market other prepaid card products that can utilize the Paysign platform.

As the prepaid financial services industry continues to develop, our competitors may be able to offer products and services that are, or that are perceived to be, substantially similar to or better than ours. This may force us to compete on the basis of price and to expend significant marketing, product development and other resources in order to remain competitive. Even if we are successful at increasing our operating revenues through our various initiatives and strategies, we will experience an inevitable decline in growth rates as our operating revenues increase to higher levels and we may also experience a decline in margins. If our operating revenue growth rates slow materially or decline, our business, operating results and financial condition could be adversely affected.

As a result of the COVID-19 pandemic, our business, financial condition, profitability, and cash flows have been, and are likely to continue to be, negatively impacted.

On March 11, 2020, the World Health Organization declared COVID-19 as a pandemic. Federal, state and local authorities in the United States imposed measures intended to reduce the spread of the virus, including restrictions on freedom of movement and business operations such as travel bans, business limitations and closures, quarantines and shelter-in-place orders. These measures had a significant impact on the global economy and financial markets, and adversely affected the demand for our products and services. We experienced plasma donations and dollars added to cards at a slower pace during the second and third quarters of 2020 with a slight recovery in the fourth quarter of 2020. We anticipate that the negative economic impacts of the COVID-19 pandemic will continue for a significant portion of 2021. There is, however, still substantial uncertainty around the remaining duration and breadth of the COVID-19 pandemic and, as a result, the ultimate impact on our business, financial condition and results of operations cannot be reasonably estimated at this time.

We operate in a highly regulated environment, and failure by us or business partners to comply with applicable laws and regulations could have an adverse effect on our business, financial position and results of operations.

We operate in a highly regulated environment, and failure by us or our business partners to comply with the laws and regulations to which we are subject could negatively impact our business. We are subject to state money transmission licensing requirements and a wide range of federal and other state laws and regulations, which are described under "Business – Regulations" above. In particular, our products and services are subject to an increasingly strict set of legal and regulatory requirements intended to protect consumers and to help detect and prevent money laundering, terrorist financing and other illicit activities.

Many of these laws and regulations are evolving, unclear and inconsistent across various jurisdictions, and ensuring compliance with them is difficult and costly. For example, with increasing frequency, federal and state regulators are holding businesses like ours to higher standards of training, monitoring and compliance, including monitoring for possible violations of laws by the businesses that participate in our reload network. Failure by us or those businesses to comply with the laws and regulations to which we are subject could result in fines, penalties or limitations on our ability to conduct our business, or federal or state actions, any of which could significantly harm our reputation with consumers and other network participants, banks that issue our cards and regulators, and could materially and adversely affect our business, operating results and financial condition.

Changes in the laws, regulations, credit card association rules or other industry standards affecting our business may impose costly compliance burdens and negatively impact our business.

There may be changes in the laws, regulations, card association rules or other industry standards that affect our operating environment in substantial and unpredictable ways. Changes to statutes, regulations or industry standards, including interpretation and implementation of statutes, regulations or standards, could increase the cost of doing business or affect the competitive balance. For example, more stringent anti-money laundering regulations could require the collection and verification of more information from our customers, which could have a material adverse effect on our operations. Regulation of the payments industry has increased significantly in recent years. A number of regulations impacting the credit card industry were recently implemented. Additional changes may require us to incur significant expenses to redevelop our products. Also, failure to comply with laws, rules and regulations or standards to which we are subject, including with respect to privacy and data use and security, could result in fines, sanctions or other penalties, which could have a material adverse effect on our financial position and results of operations, as well as damage our reputation.

A data security breach could expose us to liability and protracted and costly litigation, and could adversely affect our reputation and operating results.

We, the banks that issue our cards and our third-party service providers receive, transmit and store confidential customer and other information in connection with our products and services. The encryption software and the other technologies we and our partners use to provide security for storage, processing and transmission of confidential customer and other information may not be effective to protect against data security breaches. The risk of unauthorized circumvention of our security measures has been heightened by advances in computer capabilities and the increasing sophistication of hackers. The banks that issue our cards, our clients and our third-party service providers also may experience similar security breaches involving the receipt, transmission and storage of our confidential customer and other information. Improper access to our or these third parties' systems or databases could result in the theft, publication, deletion or modification of confidential customer and other information.

A data security breach of the systems on which sensitive cardholder data and account information are stored could lead to fraudulent activity involving our products and services, reputational damage and claims or regulatory actions against us. If we are sued in connection with any data security breach, we could be involved in protracted and costly litigation. If unsuccessful in defending that litigation, we might be forced to pay damages and/or change our business practices or pricing structure, any of which could have a material adverse effect on our operating revenues and profitability. We would also likely have to pay (or indemnify the banks that issue our cards for) fines, penalties and/or other assessments imposed by Visa or MasterCard as a result of any data security breach. Further, a significant data security breach could lead to additional regulation, which could impose new and costly compliance obligations. In addition, a data security breach at one of the banks that issue our cards or our third-party service providers could result in significant reputational harm to us and cause the use and acceptance of our cards to decline, either of which could have a significant adverse impact on our operating results and future growth prospects.

We may have deficiencies or weaknesses in our internal control over financial reporting which could, if not remediated, adversely affect our ability to report our financial condition and results of operations in a timely and accurate manner, decrease investor confidence in our Company, and reduce the value of our common stock.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act and based upon the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (the “COSO framework”). Management is also responsible for reporting on the effectiveness of internal control over financial reporting.

Deficiencies or weaknesses in our internal control over financial reporting that are not promptly identified and remediated may adversely affect our ability to report our financial condition and results of operations in a timely and accurate manner, decrease investor confidence in our Company, and reduce the value of our common stock. Although we believe we have taken appropriate actions to remediate previously reported control deficiencies that we have identified and to strengthen our internal control over financial reporting, we cannot assure you that we will not discover other deficiencies or weaknesses in the future.

Security and privacy breaches of our electronic transactions may damage customer relations and inhibit our growth.

Any failures in our security and privacy measures could have a material adverse effect on our business, financial condition and results of operations. Certain products we offer require that we store personal information, including birth dates, addresses, bank account numbers, credit card information, social security numbers and merchant account numbers. If we are unable to protect this information, or if consumers perceive that we are unable to protect this information, our business and the growth of the electronic commerce market in general could be materially adversely affected. A security or privacy breach may:

- cause our customers to lose confidence in our services;
- deter consumers from using our services;
- harm our reputation;
- require that we expend significant additional resources related to our information security systems and could result in a disruption of our operations;
- expose us to liability;

- increase expenses related to remediation costs; and
- decrease market acceptance of electronic commerce transactions and prepaid use.

Although management believes that we have utilized proven systems designed for robust data security and integrity in electronic transactions, our use of these applications may be insufficient to address changing technological or market conditions and the security and privacy concerns of existing and potential customers.

The industry in which we compete is highly competitive, which could adversely affect our operating revenue growth.

We believe that our existing competitors have longer operating histories, are substantially larger than we are, may already have or could develop substantially greater financial and other resources than we have, may offer, develop or introduce a wider range of programs and services than we offer or may use more effective advertising and marketing strategies than we do to achieve broader brand recognition, customer awareness and retail penetration. We may also face price competition that results in decreases in the purchase and use of our products and services. To stay competitive, we may have to increase the incentives that we offer to our marketing partners and decrease the prices of our products and services, which could adversely affect our operating results.

We rely on relationships with card issuing banks to conduct our business, and our results of operations and financial position could be materially and adversely affected if we fail to maintain these relationships or we maintain them under new terms that are less favorable to us.

Our relationships with various banks is currently, and will be for the foreseeable future, a critical component of our ability to conduct our business and to maintain our revenue and expense structure, because we are currently unable to issue our own cards. If we lose or do not maintain existing banking relationships, we would incur significant switching and other costs and expenses and we and users of our products and services could be significantly affected, creating contingent liabilities for us. As a result, the failure to maintain adequate banking relationships could have a material adverse effect on our business, results of operations and financial condition. Our agreement with the bank that issues our cards provide for cost and expense allocations between the parties. Changes in the costs and expenses that we have to bear under these relationships could have a material impact on our operating expenses. In addition, we may be unable to maintain adequate banking relationships or renew our agreements with the banks that currently issue our cards under terms at least as favorable to us as those existing before renewal.

We receive important services from third-party vendors, and replacing them could entail unexpected integration costs.

Some services relating to our business, including network connectivity and gateway services are outsourced to third-party vendors. All of our vendors could be replaced with competitors if our vendor terminated our contract or went out of business. However, in some cases replacing a vendor would entail one-time integration costs to connect our systems to the successor’s systems, and could result in less advantageous contract terms for the same service, which could adversely affect our profitability.

Changes in credit card association or other network rules or standards set by Visa and MasterCard, or changes in card association and debit network fees or products or interchange rates, could adversely affect our business, financial position and results of operations.

We and the banks that issue our cards are subject to Visa and MasterCard, Pulse, NYCE and Star association rules that could subject us to a variety of fines or penalties that may be levied by the card networks for acts or omissions by us or businesses that work with us. The termination of the card association registrations held by us or any of the banks that issue our cards or any changes in card association or other debit network rules or standards, including interpretation and implementation of existing rules or standards, that increase the cost of doing business or limit our ability to provide our products and services could have an adverse effect on our business, operating results and financial condition. In addition, from time to time, card networks increase the organization and/or processing fees that they charge, which could increase our operating expenses, reduce our profit margin and adversely affect our business, operating results and financial condition.

For example, a portion of our operating revenues is derived from interchange fees (i.e., transaction fees paid by the merchant). The amount of interchange revenues that we earn is highly dependent on the interchange rates that Visa and MasterCard set and adjust from time to time. Interchange rates for certain products and certain issuing banks declined significantly as a result of the enactment of the Dodd-Frank Bill. If interchange rates decline further, whether due to actions by Visa or MasterCard or future legislation or regulation, we would likely need to change our fee structure to compensate for lost interchange revenues. To the extent we increase the pricing of our products and services, we might find it more difficult to acquire consumers and to maintain or grow card usage and customer retention. We also might have to discontinue certain products or services. As a result, our operating revenues, operating results, prospects for future growth and overall business could be materially and adversely affected.

We may not be able to successfully manage our intellectual property or may be subject to infringement claims.

In the rapidly developing legal framework, we rely on a combination of contractual rights and copyright, trademark and trade secret laws to establish and protect our proprietary technology. Despite our efforts to protect our intellectual property, third parties may infringe or misappropriate our intellectual property or may develop software or technology competitive to us. Our competitors may independently develop similar technology, duplicate our products or services or design around our intellectual property rights. We may have to litigate to enforce and protect our intellectual property rights, trade secrets and know-how or to determine their scope, validity or enforceability, which is expensive and could cause a diversion of resources and may not prove successful. The loss of intellectual property protection or the inability to secure or enforce intellectual property protection could harm our business and ability to compete.

We may also be subject to costly litigation in the event our products and technology infringe upon another party’s proprietary rights. Third parties may have, or may eventually be issued, patents that would be infringed by our products or technology. Any of these third parties could make a claim of infringement against us with respect to our products or technology. We may also be subject to claims by third parties for breach of copyright, trademark or license usage rights. Any such claims and any resulting litigation could subject us to significant liability for damages. An adverse determination in any litigation of this type could require us to design around a third party's patent or to license alternative technology from another party. In addition, litigation is time consuming and expensive to defend and could result in the diversion of the time and attention of our management and employees. Any claim from third parties may result in limitations on our ability to use the intellectual property subject to these claims. As of the date of this filing, we had not received any notice or claim of infringement from any party.

The market for electronic commerce services is evolving and may not continue to develop or grow rapidly enough for us to become profitable.

If the number of electronic commerce transactions does not continue to grow or if consumers or businesses do not continue as projected to adopt our products and services, it could have a material adverse effect on our business, financial condition and results of operations. Management believes future growth in the electronic commerce market will be driven by the cost, convenience, ease of use and quality of products and services offered to consumers and businesses. In order to reach and thereafter maintain our profitability, consumers and businesses must continue to adopt our products and services.

If we do not respond to rapid technological change or changes in industry standards, our products and services could become obsolete and we could lose our customers.

If competitors introduce new products and services, or if new industry standards and practices emerge, our existing product and service offerings, technology and systems may become obsolete. Further, if we fail to adopt or develop new technologies or to adapt our products and services to emerging industry standards, we may lose current and future customers, which could have a material adverse effect on our business, financial condition and results of operations. The electronic commerce industry is changing rapidly. To remain competitive, we must continue to enhance and improve the functionality and features of our products, services and technologies.

Changes in the Bank Secrecy Act and/or the USA PATRIOT Act could impede our ability to circulate cards that can be easily loaded or issued.

Our current compliance program and screening process for the distribution and/or sale of prepaid card products is designed to comply with the Bank Secrecy Act ("BSA") and the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act (the "USA PATRIOT Act"). These regulations require financial institutions to obtain and confirm information related to their respective cardholders. If the BSA and/or the USA PATRIOT Act or subsequent legislation increases the level of scrutiny that we must apply to our cardholders and customers, it may be costly or impractical for us to continue to profitably issue and load cards for our customers.

Internal processing errors could result in our failing to appropriately reflect transactions in customer accounts.

In the event of a system failure that goes undetected for a substantial period of time, we could allow transactions on blocked accounts, confirm false authorizations, fail to deduct charges from accounts or fail to detect systematic fraud or abuse. Errors or failures of this nature could adversely impact our operations, our credibility and our financial standing.

Our business is dependent on the efficient and uninterrupted operation of computer network systems and data centers.

Our ability to provide reliable service to our clients and cardholders depends on the efficient and uninterrupted operation of our computer network systems and data centers as well as those of our third-party service providers. Our business involves movement of large sums of money, processing of large numbers of transactions and management of the data necessary to do both. Our success depends upon the efficient and error-free handling of the money. We rely on the ability of our employees, systems and processes and those of the banks that issue our cards, our third-party service providers to process and facilitate these transactions in an efficient, uninterrupted and error-free manner.

In the event of a breakdown, a catastrophic event (such as fire, natural disaster, power loss, telecommunications failure or physical break-in), a security breach or malicious attack, an improper operation or any other event impacting our systems or processes, or those of our vendors, or an improper action by our employees, agents or third-party vendors, we could suffer financial loss, loss of customers, regulatory sanctions and damage to our reputation. The measures we have taken, including the implementation of disaster recovery plans and redundant computer systems, may not be successful, and we may experience other problems unrelated to system failures. We may also experience software defects, development delays and installation difficulties, any of which could harm our business and reputation and expose us to potential liability and increased operating expenses. We currently do not carry business interruption insurance.

The soundness of other institutions and companies could adversely affect us.

Our ability to engage in loading and purchasing transactions could be adversely affected by the actions and failure of other institutions and companies, our card issuing banks and distributors that carry our prepaid card products. As such, we have exposure to many different industries and counterparties. As a result, defaults by, or even questions or rumors about, one or more of these institutions or companies could lead to losses or defaults by us or other institutions. Losses related to these defaults or failures could materially and adversely affect our results of operations.

Additional equity or debt financing may be dilutive to existing stockholders or impose terms that are unfavorable to us or our existing stockholders.

We may raise capital in order to provide working capital for our expansion into other products and services using our payments platform. If we raise additional funds by issuing equity securities, our stockholders will experience dilution. Debt financing, if available, may involve arrangements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. Any debt financing or additional equity that we raise may contain terms, such as liquidation and other preferences that are not favorable to us or our current stockholders. If we raise additional funds through collaboration and licensing arrangements with third parties, it may be necessary to relinquish valuable rights to our technologies and products or grant unfavorable license terms.

We depend on key personnel and could be harmed by the loss of their services because of the limited number of qualified people in our industry.

Because of our small size, we require the continued service and performance of our management team, sales and technology employees, all of whom we consider to be key employees. Competition for highly qualified employees in the financial services and healthcare industry is intense. Our success will depend to a significant degree upon our ability to attract, train, and retain highly skilled directors, officers, management, business, financial, legal, marketing, sales, and technical personnel and upon the continued contributions of such people. In addition, we may not be able to retain our current key employees. The loss of the services of one or more of our key personnel and our failure to attract additional highly qualified personnel could impair our ability to expand our operations and provide service to our customers.

Our future success depends on our ability to attract, develop, incentivize and retain key personnel.

Our future success depends, to a significant extent, on our ability to attract, develop, incentivize and retain key personnel, namely our management team and experienced sales, marketing and program and technology personnel. We must motivate and retain existing personnel and also attract, source, hire, develop and retain highly-qualified employees. We may experience difficulty fully integrating our newly-hired personnel, which may adversely affect our business. Competition for qualified management, sales, marketing and program and technology personnel can be intense. Competitors have in the past and may in the future attempt to recruit our top management and employees. If we fail to attract, integrate, incentivize and retain key personnel, our ability to manage and grow our business could be harmed.

Risks Related to Ownership of Our Common Stock

Our stock price is volatile and you may not be able to sell your shares at a price higher than what was paid.

The market for our common stock is highly volatile. In 2020, our stock price fluctuated between $3.63 and $10.98. The trading price of our common stock could be subject to wide fluctuations in response to, among other things, quarterly variations in operating and financial results, announcements of technological innovations or new products by our competitors or us, changes in prices of our products and services or our competitors' products and services, changes in product mix, or changes in our revenue and revenue growth rates.

If securities analysts do not publish research or reports about our business or if they publish negative evaluations of our common stock, the trading price of our common stock could decline.

We expect that the trading price for our common stock will be affected by any research or reports that securities analysts publish about us or our business. If one or more of the analysts who may elect to cover us or our business downgrade their evaluations of our common stock, the price of our common stock would likely decline. If one or more of these analysts cease coverage of our company, we could lose visibility in the market for our common stock, which in turn could cause our stock price to decline.

We do not intend to pay dividends for the foreseeable future.

We have never declared or paid any cash dividends on our capital stock. We intend to retain any earnings to finance the operation and expansion of our business, and we do not anticipate paying any cash dividends in the foreseeable future. As a result, you will likely receive a return on your investment in our common stock only if the market price of our common stock increases.

Concentration of ownership among our existing directors, executive officers and principal stockholders may prevent new investors from influencing significant corporate decisions.

Our directors, executive officers, and holders of more than 5% of our total shares of common stock outstanding and their respective affiliates, in the aggregate, beneficially own, as of March 23, 2021, approximately 41% of our outstanding common stock. As a result, these stockholders will be able to exercise a controlling influence over matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions, and will have significant influence over our management and policies for the foreseeable future. Some of these persons or entities may have interests that are different from yours. For example, these stockholders may support proposals and actions with which you may disagree or which are not in your interests. The concentration of ownership could delay or prevent a change in control of our company or otherwise discourage a potential acquirer from attempting to obtain control of our company, which in turn could reduce the price of our common stock. In addition, these stockholders, some of which have representatives sitting on our board of directors, could use their voting control to maintain our existing management and directors in office, delay or prevent changes of control of our company, or support or reject other management and board of director proposals that are subject to stockholder approval, such as amendments to our employee stock plans and approvals of significant financing transactions.

Our stock price could decline due to the large number of outstanding shares of our common stock eligible for future sale.

We have 50,447,432 shares of common stock outstanding as of March 23, 2021, assuming no exercise of outstanding options, warrants or unvested restricted stock awards. None of the shares of common stock are subject to any lock-up agreements, and all are eligible for sale, subject to registration under the Securities Act and in some cases to volume and other restrictions imposed by Rule 144. Sales of substantial amounts of our common stock in the public market, or even the perception that these sales could occur, could cause the trading price of our common stock to decline. These sales could also make it more difficult for us to sell equity or equity-related securities in the future at a time and price that we deem appropriate.

We incur significant costs as a result of operating as a public company. We may not have sufficient personnel for our financial reporting responsibilities, which may result in the untimely close of our books and records and delays in the preparation of financial statements and related disclosures.

As a registered public company, we have experienced an increase in legal, accounting and other expenses. In addition, the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"), as well as new rules subsequently implemented by the SEC, has imposed various requirements on public companies, including requiring changes in corporate governance practices. Our management and other personnel need to devote a substantial amount of time to these compliance initiatives. Moreover, these rules and regulations have increased our legal and financial compliance costs and make some activities more time-consuming and costly. In addition, two putative class action lawsuits were recently filed against us, which could require our management to devote significant time to defending. See "Item 3. Legal Proceedings" for additional information.

If we are not able to comply with the requirements of Sarbanes-Oxley Act, or if we or our independent registered public accounting firm identify additional deficiencies in our internal control over financial reporting that are deemed to be material weaknesses, the market price of our stock could decline and we could be subject to sanctions or investigations by the SEC and other regulatory authorities.

Our operating results may fluctuate in the future, which could cause our stock price to decline.

Our quarterly and annual results of operations may fluctuate in the future as a result of a variety of factors, many of which are outside of our control. If our results of operations fall below the expectations of investors or any securities analysts who follow our common stock, the trading price of our common stock could decline substantially. Fluctuations in our quarterly or annual results of operations may be due to a number of factors, including, but not limited to:

- the timing and volume of purchases, use and reloads of our prepaid cards and related products and services;
- the timing and success of new product or service introductions by us or our competitors;
- seasonality in the purchase or use of our products and services;
- reductions in the level of interchange rates that can be charged;
- fluctuations in customer retention rates;
- changes in the mix of products and services that we sell;
- changes in the mix of retail distributors through which we sell our products and services;

- the timing of commencement, renegotiation or termination of relationships with significant third party service providers;
- changes in our or our competitors' pricing policies or sales terms;
- the timing of commencement and termination of major advertising campaigns;
- the timing of costs related to the development or acquisition of complementary businesses;
- the timing of costs of any major litigation to which we are a party;
- the amount and timing of operating costs related to the maintenance and expansion of our business, operations and infrastructure;
- our ability to control costs, including third-party service provider costs;
- volatility in the trading price of our common stock, which may lead to higher stock-based compensation expenses or fluctuations in the valuations of vesting equity; and
- changes in the regulatory environment affecting the banking or electronic payments industries generally or prepaid financial services specifically.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

We have an operating lease for office space at 2615 St. Rose Parkway, Henderson, Nevada 89052. The lease will expire in 2030 and allows for two optional extensions of 5 years each. Lease payments are approximately $58,000 per month.

We lease space on a monthly basis for our data centers in Las Vegas, Nevada under co-location agreements. The agreement provides for lease payments of approximately $8,000 per month.

We believe that we have satisfactory title to the properties owned and used in our business, subject to liens for taxes not yet payable, liens incident to minor encumbrances, liens for credit arrangements and easements and restrictions that do not materially detract from the value of these properties, our interests in these properties, or the use of these properties in our business. We believe that our properties are adequate and suitable for us to conduct business in the future.

ITEM 3. LEGAL PROCEEDINGS.

From time to time, we may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business.

The Company has been named as a defendant in three complaints filed in the United States District Court for the District of Nevada: Yilan Shi v. Paysign, Inc. et. al., filed on March 19, 2020 ("Shi"), Lorna Chase v. Paysign, Inc. et. al., filed on March 25, 2020 ("Chase"), and Smith & Duvall v. Paysign, Inc. et. al., filed on April 2, 2020 ("Smith" and collectively, the "Complaints" or "Securities Class Action"). Smith was voluntarily dismissed on May 21, 2020. On May 18, 2020, the Shi plaintiffs and another entity called the Paysign Investor Group each filed a motion to consolidate the remaining Shi and Chase actions and to be appointed lead plaintiff. The Complaints are putative class actions filed on behalf of a class of persons who acquired the Company's common stock from March 12, 2019 through March 31, 2020, inclusive. The Complaints generally allege that the Company, Mark R. Newcomer, and Mark Attinger violated Section 10(b) of the Exchange Act, and that Messrs. Newcomer and Attinger violated Section 20(a) of the Exchange Act, by making materially false or misleading statements, or failing to disclose material facts, regarding the Company's internal control over financial reporting and its financial statements. The Complaints seek class action certification, compensatory damages, and attorney's fees and costs. On December 2, 2020, the Court consolidated Shi and Chase as In re Paysign, Inc. Securities Litigation and appointed the Paysign Investor Group as lead plaintiff. On January 12, 2021, Plaintiffs filed an Amended Complaint in the consolidated action. Defendants filed a Motion to Dismiss the Amended Complaint on March 15, 2021.

The Company has also been named as a nominal defendant in a stockholder derivative action in the U.S. District Court for the District of Nevada: Andrzej Toczek, derivatively on behalf of Paysign, Inc. v. Mark, R. Newcomer, et. al., filed on September 17, 2020. This action alleges violations of Section 14(a) of the Exchange Act, breach of fiduciary duty, unjust enrichment, and waste, largely in connection with the failure to correct information technology controls over financial reporting alleged in the Securities Class Action, thereby causing the Company to face exposure in the Securities Class Action. The derivative complaint also alleges insider trading, violations against certain individual defendants. On December 16, 2020, the Court approved a stipulation staying the action until the Court in the consolidated Securities Class Action issues a ruling on the anticipated Motion to Dismiss. As of the date of this filing, Paysign cannot give any meaningful estimate of likely outcome or damages.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES.

Our common stock trades on the Nasdaq Capital Market under the symbol "PAYS". The following table summarizes the low and high closing prices for our common stock for each of the calendar quarters of 2020 and 2019.

	2020		2019	
	High	Low	High	Low
First Quarter	$ 10.36	$ 3.63	$ 8.29	$ 3.53
Second Quarter	10.93	3.90	13.37	7.16
Third Quarter	10.98	5.33	17.95	9.47
Fourth Quarter	6.22	3.84	12.19	8.86

There were approximately 273 shareholders of record of the common stock as of December 31, 2020. This number does not include an indeterminate number of shareholders whose shares are held by brokers in "street name."

The shares were issued pursuant to an exemption from registration provided by Section 4(2) of the Securities Act of 1933.

Dividend Policy

We have not declared any cash dividends on our Common Stock during our fiscal years ended on December 31, 2020 or 2019. Our Board of Directors has made no determination to date to declare cash dividends during the foreseeable future, but is not likely to do so. There are no restrictions on our ability to pay dividends.

Issuer Purchases of Equity Securities

During the quarter ended December 31, 2020, we did not purchase any shares of our common stock.

ITEM 6. SELECTED FINANCIAL DATA.

Because we are a smaller reporting company, we are not required to provide the information called for by this Item.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the audited consolidated financial statements and related notes included elsewhere in this Form 10-K. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those discussed below. Factors that could cause or contribute to such differences include, but are not limited to, those identified below and those discussed in "Risk Factors" included elsewhere in this Form 10-K.

Disclosure Regarding Forward Looking Statements

This Annual Report on Form 10-K includes forward looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended ("Forward Looking Statements"). All statements other than statements of historical fact included in this report are Forward Looking Statements. In the normal course of our business, we, in an effort to help keep our shareholders and the public informed about our operations, may from time-to-time issue certain statements, either in writing or orally, that contains or may contain Forward-Looking Statements. Although we believe that the expectations reflected in such Forward Looking Statements are reasonable, we can give no assurance that such expectations will prove to have been correct. Generally, these statements relate to business plans or strategies, projected or anticipated benefits or other consequences of such plans or strategies, past and possible future, of acquisitions and projected or anticipated benefits from acquisitions made by or to be made by us, or projections involving anticipated revenues, earnings, levels of capital expenditures or other aspects of operating results. All phases of our operations are subject to a number of uncertainties, risks and other influences, many of which are outside of our control and any one of which, or a combination of which, could materially affect the results of our proposed operations and whether Forward Looking Statements made by us ultimately prove to be accurate. Such important factors ("Important Factors") and other factors could cause actual results to differ materially from our expectations are disclosed in this report, including those factors discussed in "Item 1A. Risk Factors." All prior and subsequent written and oral Forward Looking Statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the Important Factors described below that could cause actual results to differ materially from our expectations as set forth in any Forward Looking Statement made by or on behalf of us.

Overview

Paysign, Inc. is a vertically integrated provider of prepaid card products and processing services for corporate, consumer and government applications. Our payment solutions are utilized by our corporate customers as a means to increase customer loyalty, increase patient adherence rates, reduce administration costs, and streamline operations. Public sector organizations can utilize our payment solutions to disburse public benefits or for internal payments. We market our prepaid card solutions under our Paysign brand. As we are a payment processor and prepaid card program manager, we derive our revenue from all stages of the prepaid card lifecycle.

We provide a card processing platform consisting of proprietary systems and software applications based on the unique needs of our clients. We have extended our processing business capabilities through our proprietary Paysign platform. Through the Paysign platform, we provide a variety of services including transaction processing, cardholder enrollment, value loading, cardholder account management, reporting, and customer service. The Paysign platform was built on modern cross-platform architecture and designed to be highly flexible, scalable and customizable. The platform has allowed the Company to significantly expand its operational capabilities by facilitating our entry into new markets within the payments space through its flexibility and ease of customization. The Paysign platform delivers cost benefits and revenue building opportunities to our partners.

We have developed prepaid card programs for corporate incentive and rewards including, but not limited to, consumer rebates and rewards, donor compensation, clinical trials, healthcare reimbursement payments and pharmaceutical payment assistance. We have expanded our product offerings to include additional corporate incentive products and demand deposit accounts accessible with a debit card. In the future, we expect to further expand our product offerings into other prepaid card offerings such as payroll cards, travel cards, and expense reimbursement cards. Our cards are sponsored by our issuing bank partners.

Our revenues include fees generated from cardholder fees, interchange, card program management fees, and settlement income. Revenue from cardholder fees, interchange and card program management fees is recorded when the performance obligation is fulfilled. Settlement income is recorded at the expiration of the card program.

We have two categories for our prepaid cards: (1) corporate and consumer reloadable, and (2) non-reloadable cards.

Reloadable Cards: These types of cards are generally classified as payroll or considered general purpose reloadable ("GPR") cards. Payroll cards are issued by an employer to an employee in order to allow the employee to access payroll amounts that are deposited into an account linked to their card. GPR cards can also be issued to a consumer at a retail location or mailed to a consumer after completing an on-line application. GPR cards can be reloaded multiple times with a consumer's payroll, government benefit, a federal or state tax refund, or through cash reload networks located at retail locations. Reloadable cards are generally open-loop cards as described below.

Non-Reloadable Cards: These are generally one-time use cards that are only active until the funds initially loaded to the card are spent. These types of cards are generally used as gift or incentive cards. Normally these types of cards are used for purchase of goods or services at retail locations and cannot be used to receive cash.

Both reloadable and non-reloadable cards may be open-loop, closed-loop, or restricted-loop. Open-loop cards can be used to receive cash at ATM locations by PIN; or purchase goods or services by PIN or signature at retail locations virtually anywhere that the network brand (American Express, Discover, MasterCard, Visa, etc.) is accepted. Closed-loop cards can only be used at a specific merchant. Restricted-loop cards can be used at several merchants, or a defined group of merchants, such as all merchants at a specific shopping mall.

The prepaid card market is one of the fastest growing segments of the payments industry in the U.S. This market has experienced significant growth in recent years due to consumers and merchants embracing improved technology, greater convenience, more product choices and greater flexibility. Prepaid cards have also proven to be an attractive alternative to traditional bank accounts for certain segments of the population, particularly those without, or who could not qualify for, a checking or savings account.

We manage all aspects of the prepaid card lifecycle, from managing the card design and approval processes with partners and networks, to production, packaging, distribution, and personalization. We also oversee inventory and security controls, renewals, lost and stolen card management, and replacement. We deploy a fully staffed, in-house customer service department which utilizes bilingual customer service representatives, Interactive Voice Response ("IVR"), and two-way short message service ("SMS") messaging and text alerts.

Currently, we are focusing our marketing efforts on corporate incentive and expense prepaid card products in various market verticals including but not limited to general corporate expense, healthcare related markets including co-pay assistance, clinical trials and donor compensation, loyalty rewards, and incentive cards.

As part of our continuing platform expansion process, we evaluate current and emerging technologies for applicability to our existing and future technology platform. To this end, we engage with various hardware and software vendors in evaluation of various infrastructure components. Where appropriate, we use third-party technology components in the development of our software applications and service offerings. Third-party software may be used for highly specialized business functions, which we may not be able to develop internally within time and budget constraints. Our principal target markets for processing services include prepaid card issuers, retail and private-label issuers, small third-party processors, and small and mid-size financial institutions in the United States and Mexico.

We have devoted more extensive resources to sales and marketing activities as we have added essential personnel to our marketing and sales team. We sell our products directly to customers in the U.S. but may work with a small number of resellers and third parties in international markets to identify, sell and support targeted opportunities. We have also identified opportunities in the European Union and are pursuing those opportunities.

In 2021, we plan to continue to invest additional funds in technology improvements, sales and marketing, customer service, and regulatory compliance. From time to time we evaluate raising capital to enable us to diversify into new market verticals. If we do not raise new capital, we believe that we will still be able to expand into new markets using internally generated funds.

2020 Year Milestones

- Grew to approximately 3.5 million cardholders and 360 card programs as of December 31, 2020.
- Year over year revenue declined 30%.
- Added 55 Plasma programs, a net of 5 new Pharmaceutical programs, and 1 additional Corporate Incentive program.

Results of Operations

Fiscal Years Ended December 31, 2020 and 2019

The following table summarizes our consolidated financial results:

	Year ended December 31,		Variance	
	2020	2019	$	%
Revenues				
Plasma industry	$ 23,401,068	$ 26,994,929	$ (3,593,861)	(13.3%)
Pharma industry	326,699	7,372,990	(7,046,291)	(95.6%)
Other	392,667	298,734	93,933	31.4%
Total revenues	24,120,434	34,666,653	(10,546,219)	(30.4%)
Cost of revenues	14,817,028	15,425,178	(608,150)	(3.9%)
Gross profit	9,303,406	19,241,475	(9,938,069)	(51.6%)
Gross margin %	38.6%	55.5%		
Operating expenses				
Selling, general and administrative	15,091,432	11,656,681	3,434,751	29.5%
Impairment of intangible asset	382,414	–	382,414	N/A
Loss on abandonment of assets	42,898	–	42,898	N/A
Depreciation and amortization	2,124,762	1,483,140	641,622	43.3%
Total operating expenses	17,641,506	13,139,821	4,501,685	34.3%
Income (loss) from operations	$ (8,338,100)	$ 6,101,654	$ (14,439,754)	N/A
Net income (loss) attributable to Paysign, Inc.	$ (9,141,562)	$ 7,454,319	$ (16,595,881)	N/A
Net margin %	(37.9%)	21.5%		

The decrease in total revenues of $10,546,219 for the year ended December 31, 2020 compared to the same period in the prior year consisted of a $3,593,861 reduction in Plasma revenue and a $7,046,291 reduction in Pharma revenue. The decrease in Plasma revenue was primarily due to a decrease in plasma donations and dollars loaded to card, significantly impacted by COVID-19 related donation center closures and mobility restrictions, which also resulted in a reduction in card load fees. The Pharma revenue decrease included a $6,293,203 adjustment for a change in accounting estimate in recognizing settlement income for Pharma programs based on substantially different performance indicators observed, current trends in the industry regarding program management by third parties, and new information available in dollar loads and spending patterns compared to historical experiences. This change resulted in the Company constraining revenue on all Pharma programs in accordance with applicable accounting guidance. Based on the recently observed change in facts and circumstances, the Company utilizes the remote method of revenue recognition for settlement income whereby the unspent balances will be recognized as revenue at the expiration of the cards and the respective program. This has resulted in the reversal of all previously recognized settlement income for all current Pharma programs. Pharma programs were also negatively impacted by COVID-19 as new pharmaceutical medicines were delayed and individuals limited their exposure to pharmacies and doctor offices.

Cost of revenues for the year ended December 31, 2020 decreased $608,150 compared to the same period in the prior year. Cost of revenues is comprised of transaction processing fees, data connectivity and data center expenses, network fees, bank fees, card production costs, customer service, program management, application integration setup, and sales and commission expense. There was a favorable cost variance of $4,692,617 due to the variable cost structure associated with a decrease in transactions, offset by an unfavorable cost variance of $4,084,467 resulting from a decrease in higher margin Pharma revenue and fixed costs primarily resulting from the change in accounting estimate and the revenue recognition for settlement income.

Gross profit for the year ended December 31, 2020 decreased $9,938,069 compared to the prior year resulting from the reduction in revenue described above, and the disproportionate decrease in cost of sales. The decrease in gross margin resulted from the lower revenue conversion rate and an unfavorable cost of revenue rate variance.

Selling, general and administrative expenses (“SG&A”) for the year ended December 31, 2020 increased $3,434,751 or 29.5% compared to the prior year and consisted primarily of an increase in staffing and compensation of $1,804,000, professional services for legal, accounting, tax, and consultants of $690,000, stock-based compensation of $443,000, technologies and telecom of $494,000, and rent of $409,000 related to a new office lease entered into in June 2020; offset by a decrease in travel and entertainment of $325,000 due to COVID-19 restrictions in 2020.

During the year ended December 31, 2020, we reviewed the carrying value of acquisition costs related to a business license and determined that there was an impairment necessary as the efforts to acquire the license had been suspended. An impairment of intangible asset of $382,414 was recorded.

Depreciation and amortization expense for the year ended December 31, 2020 increased $641,622 compared to the prior year. The increase in depreciation and amortization expense was primarily due to continued capitalization of new technologies and enhancements to our processing platform and infrastructure.

For the year ended December 31, 2020, we recorded a loss from operations of $8,338,100, a decrease of $14,439,754 from the period ending December 31, 2019, related to the aforementioned factors.

Other income for the year ended December 31, 2020 decreased $350,396 related to a decrease in interest income resulting primarily from the reduction in the federal funds rate to near 0% beginning in the first quarter of 2020.

The effective tax rate was (10.8%) and (13.9%) for the years ended December 31, 2020 and 2019. The effective tax rates vary , primarily as a result of the tax benefit related to our stock-based compensation and a valuation allowance and pretax loss in the current year period.

The net income (loss) attributable to Paysign, Inc. for the year ended December 31, 2020 decreased $16,595,881. The overall change in net income (loss) attributable to Paysign, Inc. relates to the aforementioned factors.

Key Metrics, Performance Indicators and Non-GAAP Measures

Management reviews a number of metrics to help us monitor the performance of and identify trends affecting our business. We believe the following measures are the primary indicators of our quarterly and annual revenues:

Gross Dollar Volume Loaded on Cards – Represents the total dollar volume of funds loaded to all of our card programs. Our gross dollar volume was $968 million and $882 million for the years ended December 31, 2020 and 2019, respectively. We use this metric to analyze the total amount of money moving into our card programs.

Conversion Rate on Gross Dollar Volume Loaded on Cards – Represents the percent of total gross dollar load volume onto our card programs that is converted into revenue, gross profit and net profit dollars. Our revenue conversion rate for the years ended December 31, 2020 and 2019 were 2.49% or 249 basis points (“bps”), and 3.93% or 393 bps, respectively, of gross dollar volume loaded on cards. Our gross profit conversion rate for the years ended December 31, 2020 and 2019 were 0.96% or 96 bps, and 2.18% or 218 bps, respectively, of gross dollar volume loaded on cards. Our net profit conversion rate for the years ended December 31, 2020 and 2019 were (0.95%) or (95) bps, and 0.84% or 84 bps, respectively, of gross dollar volume loaded on cards. The decline in conversion rates was primarily attributable to a change in accounting estimate for Pharma settlement income.

Management also reviews key performance indicators, such as revenues, gross profits, operational expenses as a percent of revenues, and cardholder participation. In addition, we consider certain non-GAAP (or "adjusted") measures to be useful to management and investors evaluating our operating performance for the periods presented, and provide a tool for evaluating our ongoing operations, liquidity, and management of assets. This information can assist investors in assessing our financial performance and measures our ability to generate capital for deployment and investment in new card programs. These adjusted metrics are consistent with how management views our business and are used to make financial, operating and planning decisions. These metrics, however, are not measures of financial performance under GAAP and should not be considered a substitute for revenues, operating income, net income (loss), earnings (loss) per share (basic and diluted) or net cash from operating activities as determined in accordance with GAAP. We consider the following non-GAAP measures, which may not be comparable to similarly titled measures reported by other companies, to be key performance indicators:

“EBITDA” is defined as earnings before interest, income taxes, depreciation and amortization expense and "Adjusted EBITDA" reflects the adjustment to EBITDA to exclude stock-based compensation expense, impairment of intangible asset and loss on abandonment of assets. A reconciliation of net income (loss) attributable to Paysign Inc. to Adjusted EBITDA is provided in the table below.

	Year ended December 31,	
	2020	**2019**
Reconciliation of adjusted EBITDA to net income (loss):		
Net income (loss) attributable to Paysign, Inc.	$ (9,141,562)	$ 7,454,319
Income tax provision (benefit)	894,182	(909,976)

Interest income	(90,720)	(441,116)
Depreciation and amortization	2,124,762	1,483,140
EBITDA	(6,213,338)	7,586,367
Impairment of intangible asset	382,414	–
Loss on abandonment of assets	42,898	–
Stock-based compensation	2,971,777	2,528,613
Adjusted EBITDA	$ (2,816,249)	$ 10,114,980

Liquidity and Capital Resources

The following table sets forth the major sources and uses of cash for our last two fiscal years ended December 31, 2020 and 2019:

	Year ended December 31,	
	2020	2019
Net cash provided by operating activities	$ 13,775,819	$ 16,712,779
Net cash used in investing activities	(3,344,855)	(3,237,134)
Net cash provided by (used in) financing activities	(72,865)	430,919
Net increase in cash and restricted cash	$ 10,358,099	$ 13,906,564

Comparison of Fiscal 2020 and 2019

In fiscal 2020 and 2019, we financed our operations through internally generated funds.

Operating activities provided $13,775,819 of cash in 2020, a decrease of $2,936,960 in cash generated compared to 2019. The decrease is primarily due to the increase in the customer card funding liability offset by the decrease in net income (loss) and deferred income taxes. The increase in the card funding liability is partially related to the change in estimate and reversal of previously recognized settlement income on Pharma programs.

Investing activities used $3,344,855 of cash in 2020, as compared to $3,237,134 of cash in 2019. The increase is primarily attributable to an increase in fixed assets purchased during the current year and ongoing enhancements to our processing platform and infrastructure. The purchase of intangible assets decreased $1.2 million due to the acquisition of customer lists and contracts in 2019.

Financing activities used $72,865 of cash in 2020 as compared to $430,919 of cash provided in 2019. Our cash used in financing activities for 2020 related to cash received from the exercise of stock warrants totaling $172,560 offset by $245,425 for the repurchase of stock for taxes withheld. Our cash provided in financing activities in 2019 consisted of cash received from the exercise of employee stock options totaling $430,919.

Liquidity and Sources of Financing

We believe that our available cash on hand, excluding restricted cash, at December 31, 2020 of $7,829,453, along with anticipated revenues and operating profits anticipated for 2021, will be sufficient to sustain our operations for the next twelve months.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

Critical Accounting Policies and Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Our estimates will be based on our experience and our interpretation of economic, political, regulatory, and other factors that affect our business prospects.

Fixed assets – Fixed assets are stated at cost less accumulated depreciation. Depreciation is principally recorded on the straight-line method over the estimated useful lives of the assets, which are generally 3 to 10 years. The cost of repairs and maintenance is charged to expense as incurred. Leasehold improvements are capitalized and depreciated over the shorter of the remaining lease term or the estimated useful life of the improvements. Expenditures for property betterments and renewals are capitalized. Upon sale or other disposition of a depreciable asset, cost and accumulated depreciation are removed from the accounts and any gain or loss is reflected in other income (expense).

The Company periodically evaluates whether events and circumstances have occurred that may warrant revision of the estimated useful life of fixed assets or whether the remaining balance of fixed assets should be evaluated for possible impairment. The Company uses an estimate of the related undiscounted cash flows over the remaining life of the fixed assets in measuring their recoverability.

Intangible assets – For intangible assets, we recognize an impairment loss if the carrying amount of the intangible asset is not recoverable and exceeds fair value. The carrying amount of the intangible asset is considered not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use of the asset.

Intangible assets with finite lives are amortized on a straight-line basis over their estimated useful lives.

Internally Developed Software Costs – Computer software development costs are expensed as incurred, except for internal use software or website development costs that qualify for capitalization as described below, and include compensation and related expenses, costs of hardware and software, and costs incurred in developing features and functionality.

For computer software developed or obtained for internal use, costs that are incurred in the preliminary project and post implementation stages of software development are expensed as incurred. Costs incurred during the application and development stage are capitalized. Capitalized costs are amortized using the straight-line method over a three to five year estimated useful life, beginning in the period in which the software is available for use.

Income taxes – Our income tax expense is comprised of current and deferred income tax expense. Current income tax expense approximates taxes to be paid or refunded for the current period. Deferred income tax expense results from the changes in deferred tax assets and liabilities during the periods. These gross deferred tax assets and liabilities represent decreases or increases in taxes expected to be paid in the future because of future reversals of temporary differences between the basis of assets and liabilities as measured by tax laws and their basis as reported in our consolidated financial statements. We also recognize deferred tax assets for tax attributes such as net operating loss carryforwards and tax credit carryforwards. We record valuation allowances to reduce deferred tax assets to the amounts we conclude are more likely-than-not to be realized in the foreseeable future.

We recognize and measure income tax benefits based upon a two-step model: 1) a tax position must be more likely-than-not to be sustained based solely on its technical merits in order to be recognized, and 2) the benefit is measured as the largest dollar amount of that position that is more likely-than-not to be sustained upon settlement. The difference between the benefit recognized for a position and the tax benefit claimed on a tax return is referred to as an unrecognized tax benefit. We accrue income tax related interest and penalties, if applicable, within income tax expense.

We have filed consolidated tax returns whereby past subsidiary losses are used to offset tax liabilities on current profits. This approach could be challenged by the Internal Revenue Service ("IRS") and if not accepted, may affect net income and earnings per share. Management believes that the likelihood of the IRS not accepting such filings is minimal.

Revenue recognition – The Company recognizes revenue when goods or services are transferred to customers in an amount that reflects the consideration which it expects to receive in exchange for those goods or services. In determining when and how revenue is recognized from contracts with customers, the Company performs the following five-step analysis: (i) identification of contract with customers; (ii) determination of performance obligations; (iii) measurement of the transaction price; (iv) allocation of the transaction price to the performance obligations; and (v) recognition of revenue when (or as) the Company satisfies each performance obligations.

The Company generates revenues from Plasma card programs through fees generated from cardholder fees and interchange fees. Revenues from Pharma card programs are generated through card program management fees, interchange fees, and settlement income.

Plasma and Pharma card program revenues include both fixed and variable components. Our cardholder fees represent an obligation to the cardholder based on a per transaction basis and recognized at a point in time when the performance obligation is fulfilled. Card program management fees include an obligation to our card program sponsors and are generally recognized when earned on a monthly basis pursuant to the contract terms which are generally multi-year contracts. Interchange fees are earned when customer-issued cards are processed through card payment networks as the nature of our promise to the customer is that we stand ready to process transactions at the customer's requests on a daily basis over the contract term. Since the timing and quantity of transactions to be processed by us is not determinable, we view interchange fees to comprise an obligation to stand ready to process as many transactions as the customer requests. Accordingly, the promise to stand ready is accounted for as a single series performance obligation. The company uses the right to invoice practical expedient and recognizes revenue concurrent with the processing of card transactions.

Previously, settlement income from Pharma programs was recognized and recorded, after giving consideration to any revenue constraints, ratably throughout the program lifecycle based on the Company's estimate of the unspent balances to be remaining on the card at program expiration. During 2020, the Company observed substantially different performance indicators, current trends in the industry regarding program management by third parties, and new information available in dollar loads and spending patterns compared to historical experience. As a result, the Company changed its estimate of breakage for recognizing settlement income for Pharma programs resulting in the Company constraining revenue on all Pharma programs in accordance with applicable accounting guidance. Based on the recently observed change in facts and circumstances, the Company utilizes the remote method of revenue recognition for settlement income whereby the unspent balances will be recognized as revenue at the expiration of the cards and the respective program. The Company records all revenue on a gross basis since it is the primary obligor and establishes the price in the contract arrangement with its customers. The Company is currently under no obligation for refunding any fees, and the Company does not currently have any obligations for disputed claim settlements. Given the nature of the Company's services and contracts, it has no contract assets.

Cost of revenues is comprised of transaction processing fees, data connectivity and data center expenses, network fees, bank fees, card production costs, customer service, program management, application integration setup, and sales and commission expense.

Stock-Based Compensation – The Company recognizes compensation expense for all restricted stock and stock option awards. The fair value of restricted stock is measured using the grant date trading price of our stock. The fair value of stock option awards is estimated at the grant date using the Black-Scholes option-pricing model, and the portion that is ultimately expected to vest is recognized as compensation cost over the requisite service period. We have elected to recognize compensation expense for all options with graded vesting on a straight-line basis over the vesting period of the entire option. The determination of fair value using the Black-Scholes pricing model is affected by our stock price as well as assumptions regarding a number of complex and subjective variables, including expected stock price volatility and the risk-free interest rate.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Because we are a smaller reporting company, we are not required to provide the information called for by this Item.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The financial statements required by Article 8 of Regulation S-X are attached hereto as Exhibit A.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

During the two fiscal years ended December 31, 2020 and 2019, we did not file any Current Report on Form 8-K reporting any change in accountants in which there was a reported disagreement on any matter of accounting principles or practices, financial statement disclosures or auditing scope or procedure.

ITEM 9A. CONTROLS AND PROCEDURES.

Management's Report on Internal Control over Financial Reporting and Remediation Initiatives

Disclosure Controls and Procedures

We have evaluated, under the supervision of our chief executive officer and chief financial officer and with the participation of other members of management, the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of December 31, 2020. Disclosure controls and procedures means controls and other procedures that are designed to ensure that the information we are required to disclose in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and to ensure that information required to be disclosed by us in those reports is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Our chief executive officer and chief financial officer evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of December 31, 2020. Based on that evaluation, our chief executive officer and chief financial officer concluded that, as of the evaluation date, such controls and procedures were effective.

Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting and for the assessment of the effectiveness of internal control over financial reporting. As defined by the Securities and Exchange Commission, internal control over financial reporting is a process designed by, or under the supervision of our principal executive officer and principal financial officer and implemented by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our financial statements in accordance with U.S. generally accepted accounting principles.

Our internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;

- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of management and directors; and

- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on the financial statements

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As of December 31, 2020, we conducted an evaluation, under the supervision and with the participation of our chief executive officer (our principal executive officer), our chief operating officer and our chief financial officer (also our principal financial and accounting officer) of the effectiveness of our internal control over financial reporting based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Management's assessment included an evaluation of the design of our internal control over financial reporting and testing of the operational effectiveness of those controls.

Based upon this assessment, management concluded that our internal control over financial reporting was effective as of December 31, 2020.

This annual report is not required and does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting as of December 31, 2020.

Changes in Internal Control over Financial Reporting

We implemented our remediation plan for the previously reported material weaknesses in internal control over financial reporting, described in Part II, Item 9A of our 2019 10-K, which included taking steps to improve the design and methods for testing internal controls, adding resources to carry out such practices, and instituting new procedures for managing system user access and change control. As previously described in Part I, Item 4 of our 10-Q for the quarters ended March 31, 2020, June 30, 2020 and September 30, 2020, our remediation was on-going throughout 2020.

The following actions contributed to the remediation efforts:

- Strengthened the Technology Department, including hiring a new Chief Technology Officer and creating and filling a new Info Security Manager position.
- Secured technical training on COSO's *Internal Control – Integrated Framework*, cybersecurity and regulatory compliance.
- Hired an accounting firm to independently test the design and operating effectiveness of our internal control over financial reporting.
- Substantially refined process narratives and created risk control matrices as a basis for the design of our internal control over financial reporting, including IT general controls.
- Defined and implemented multiple user roles to enhance access controls to our core processing platform.
- Refined the change control process for system changes, including forming an IT Change Review Board and implementing software monitoring of production system changes.

As of December 31, 2020, management concluded that the remediated controls were operating effectively and the deficiencies that contributed to the material weaknesses had been effectively corrected.

Other than the changes related to our remediation efforts described above, we made no changes in our internal control over financial reporting during the quarter ended December 31, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION.

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

The information required by this Item is incorporated by reference to our proxy statement for our 2021 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the year end December 31, 2020.

ITEM 11. EXECUTIVE COMPENSATION.

The information required by this Item is incorporated by reference to our proxy statement for our 2021 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the year end December 31, 2020.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The information required by this Item is incorporated by reference to our proxy statement for our 2021 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the year end December 31, 2020.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

The information required by this Item is incorporated by reference to our proxy statement for our 2021 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the year end December 31, 2020.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

The information required by this Item is incorporated by reference to our proxy statement for our 2021 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the year end December 31, 2020.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

(a) The following documents are filed as a part of the report:

(1) All financial statements: Audited financial statements of Paysign, Inc. as of December 31, 2020 and 2019, and for the years ended December 31, 2020 and 2019, including balance sheets, statements of income, statements of cash flows, and statements of changes in stockholders' equity required to be filed hereunder are listed in Exhibit A.

(2) Those financial statement schedules required to be filed by Item 8 of this form, and by paragraph (b) below: none.

(3) Those exhibits required by Item 601 of Regulation S-K (Section 229.601 of this chapter) and by paragraph (b) below. Identify in the list each management contract or compensatory plan or arrangement required to be filed as an exhibit to this form pursuant to Item 15(b) of this report.: See below.

(b) Exhibits.

Exhibit Number	Description of Exhibits
3.1	Amended and Restated Articles of Incorporation dated April 23, 2019 (1)
3.2	Amended and Restated Bylaws (2)
4.1	Form of Warrant (3)
4.2	Description of Paysign, Inc.'s Securities(4)
10.1	Share Exchange Agreement between 3PEA International, Inc. and WOW Technologies, Inc. (3)
10.2	Form of Restricted Stock Award (5)
10.3	2018 Incentive Compensation Plan (6)
10.4	Form of Incentive Stock Option Agreement (6)
10.5	Form of Non-Qualified Stock Option Agreement (6)
10.6	Form of Restricted Stock Agreement (6)
10.7	Non-Qualified Stock Option Agreement for Dan Henry (7)
14	Code of Ethics (8)
21*	Subsidiaries of Registrant
23.1*	Consent of BDO USA, LLP
23.2*	Consent of Baker Tilly US, LLP
31.1*	Rule 13a-14(a)/15d-14(a) Certifications
31.2*	Rule 13a-14(a)/15d-14(a) Certifications
31.3*	Rule 13a-14(a)/15d-14(a) Certifications
32.1*	Section 1350 Certifications
32.2*	Section 1350 Certifications
32.3*	Section 1350 Certifications
101.INS	XBRL Instance Document
101.SCH	XBRL Schema Document
101.CAL	XBRL Calculation Linkbase Document
101.LAB	XBRL Label Linkbase Document
101.PRE	XBRL Presentation Linkbase Document
101.DEF	XBRL Definition Linkbase Document
104	Cover Page Interactive Data File

* Filed herewith.

(1) Incorporated by reference to our Current Report on Form 8-K filed on September 9, 2019.
(2) Incorporated by reference to our Current Report on Form 8-K filed on May 22, 2018.
(3) Incorporated by reference to our Registration Statement on Form 10 filed on September 16, 2010.
(4) Incorporated by reference to our Annual Report on Form 10-K filed on April 3, 2020.
(5) Incorporated by reference to our Form S-8 filed on March 29, 2019 (File Number 333-230634).
(6) Incorporated by reference to our Form S-8 filed on March 29, 2019 (File Number 333-230632).
(7) Incorporated by reference to our Form S-8 filed on August 22, 2019 (File Number 333-233400).
(8) Incorporated by reference to our Form 10-K filed on April 4, 2020 (File Number 001-38623)

(c) Other Financial Statement Schedules: None.

ITEM 16. FORM 10-K SUMMARY

Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

	PAYSIGN, INC.
	By:
Dated: March 26, 2021	*/s/ Mark Newcomer*
	Mark R. Newcomer, Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Dated: March 26, 2021	*/s/ Mark Newcomer*
	Mark R. Newcomer, Chief Executive Officer and Director (Principal Executive Officer)
Dated: March 26, 2021	*/s/ Jeff Baker*
	Jeff Baker, Chief Financial Officer (Principal Financial Officer)
Dated: March 26, 2021	/*s*/ Mark Attinger
	Mark Attinger, Executive Vice President (Principal Accounting Officer)
Dated: March 26, 2021	*/s/ Daniel Spence*
	Daniel H. Spence, Executive Vice President and Director
Dated: March 26, 2021	*/s/ Joan Herman*
	Joan Herman, Executive Vice President and Director
Dated: March 26, 2021	*/s/ Dan Henry*
	Dan Henry, Director and Chairman
Dated: March 26, 2021	*/s/ Bruce Mina*
	Bruce Mina, Director
Dated: March 26, 2021	*/s/ Dennis Triplett*
	Dennis Triplett, Director
Dated: March 26, 2021	*/s/ Quinn Williams*
	Quinn Williams, Director

EXHIBIT A

PAYSIGN, INC.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

WITH AUDIT REPORTS OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRMS

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Shareholders and Board of Directors
Paysign, Inc.
Las Vegas, NV

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheet of Paysign, Inc. (the "Company") as of December 31, 2020, the related consolidated statement of operations, stockholders' equity, and cash flows for the period ended December 31, 2020, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2020, and the results of its operations and its cash flows for the period ended December 31, 2020**,** in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provide a reasonable basis for our opinion.

/s/ BDO USA, LLP

We have served as the Company's auditor since 2020.

Las Vegas, Nevada
March 26, 2021

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors of Paysign, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Paysign, Inc. and its subsidiaries (the Company) as of December 31, 2019, the related consolidated statements of income, stockholders' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. Our report dated April 3, 2020 expressed an opinion that the Company had not maintained effective internal controls over financial reporting as of December 31, 2019, based on criteria established in Internal Control — *Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Baker Tilly US, LLP (formerly Squar Milner LLP)

We have served as the Company's auditor since 2017.

Los Angeles, California
April 3, 2020

PAYSIGN, INC.
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2020 AND 2019

	December 31, 2020	December 31, 2019
ASSETS		
Current assets		
Cash	$ 7,829,453	$ 9,663,746
Restricted cash	48,100,951	35,908,559
Accounts receivable	654,859	891,936
Prepaid expenses and other current assets	1,375,364	1,413,208
Total current assets	57,960,627	47,877,449
Fixed assets, net	1,849,164	937,185
Intangible assets, net	3,699,033	3,816,232
Operating lease right-of-use asset	4,324,682	–
Deferred tax asset	–	917,480
Total assets	$ 67,833,506	$ 53,548,346
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$ 2,162,256	$ 1,523,604
Operating lease, current portion	320,636	–
Customer card funding	48,100,951	32,723,227
Total current liabilities	50,583,843	34,246,831
Operating lease liability, long term portion	4,013,598	–
Total liabilities	54,597,441	34,246,831
Commitments and contingencies (Note 9)		
Stockholders' equity		
Preferred stock: $0.001 par value; 25,000,000 shares authorized; none issued and outstanding	–	–
Common stock; $0.001 par value; 150,000,000 shares authorized, 50,251,607 and 48,577,712 issued at December 31, 2020 and 2019, respectively	50,252	48,578
Additional paid-in capital	14,388,890	11,577,539
Treasury stock at cost, 303,450 shares	(150,000)	(150,000)
Retained earnings (accumulated deficit)	(1,053,077)	8,088,485
Total Paysign, Inc. stockholders' equity	13,236,065	19,564,602
Noncontrolling interest	–	(263,087)
Total stockholders' equity	13,236,065	19,301,515
Total liabilities and stockholders' equity	$ 67,833,506	$ 53,548,346

See accompanying notes to consolidated financial statements.

PAYSIGN, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	Year ended December 31,	
	2020	2019
Revenues		
Plasma industry	$ 23,401,068	$ 26,994,929
Pharma industry	326,699	7,372,990
Other	392,667	298,734
Total revenues	24,120,434	34,666,653
Cost of revenues	14,817,028	15,425,178

Gross profit	9,303,406	19,241,475
Operating expenses		
Selling, general and administrative	15,091,432	11,656,681
Impairment of intangible asset	382,414	–
Loss on abandonment of assets	42,898	–
Depreciation and amortization	2,124,762	1,483,140
Total operating expenses	17,641,506	13,139,821
Income (loss) from operations	(8,338,100)	6,101,654
Other income		
Interest income	90,720	441,116
Income (loss) before income tax provision (benefit) and noncontrolling interest	(8,247,380)	6,542,770
Income tax provision (benefit)	894,182	(909,976)
Net income (loss) before noncontrolling interest	(9,141,562)	7,452,746
Net loss attributable to noncontrolling interest	–	1,573
Net income (loss) attributable to Paysign, Inc.	$ (9,141,562)	$ 7,454,319
Net income (loss) per share		
Basic	$ (0.19)	$ 0.16
Diluted	$ (0.19)	$ 0.14
Weighted average common shares		
Basic	49,272,494	47,436,754
Diluted	49,272,494	54,550,369

See accompanying notes to consolidated financial statements.

PAYSIGN, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	Stockholders' Equity Attributable to Paysign, Inc.						
	Common Stock		Additional Paid-in	Treasury Stock	Retained Earnings/ (Accumulated	Non-controlling	Total Stockholders'
	Shares	Amount	Capital	Amount	Deficit)	Interest	Equity
Balance, December 31, 2018	46,440,765	$ 46,441	$ 8,620,144	$ (150,000)	$ 579,582	$ (206,930)	$ 8,889,237
Exercise of stock options	245,800	246	430,673	–	–	–	430,919
Issuance of stock for previously vested stock-based compensation	1,891,147	1,891	(1,891)	–	–	–	–
Stock-based compensation	–	–	2,528,613	–	–	–	2,528,613
Dissolution and amalgamation of Qfour, Inc. subsidiary	–	–	–	–	54,584	(54,584)	–
Net income (loss)	–	–	–	–	7,454,319	(1,573)	7,452,746
Balance, December 31, 2019	48,577,712	48,578	11,577,539	(150,000)	8,088,485	(263,087)	19,301,515
Exercise of stock options	71,900	72	172,488	–	–	–	172,560
Issuance of stock for previously vested stock-based compensation	1,581,995	1,582	(1,582)	–	–	–	–
Stock-based compensation	–	–	2,971,777	–	–	–	2,971,777
Dissolution of Paysign, Ltd. Subsidiary	–	–	(263,087)	–	–	263,087	–
Repurchase of employee common stock for taxes withheld	–	–	(245,425)	–	–	–	(245,425)
Issuance of stock for acquisition of contract assets	20,000	20	177,180	–	–	–	177,200
Net loss	–	–	–	–	(9,141,562)	–	(9,141,562)
Balance, December 31, 2020	50,251,607	$ 50,252	$ 14,388,890	$ (150,000)	$ (1,053,077)	$ –	$ 13,236,065

See accompanying notes to consolidated financial statements.

PAYSIGN, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	Year ended December 31, 2020	Year ended December 31, 2019
Cash flows from operating activities:		
Net income (loss) attributable to Paysign, Inc.	$ (9,141,562)	$ 7,454,319
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Net loss in noncontrolling interest	–	(1,573)
Stock-based compensation	2,971,777	2,528,613
Depreciation and amortization	2,124,763	1,483,140
Impairment of intangible asset	382,414	–
Loss on abandonment of assets	42,898	–
Amortization of lease right-of-use asset	418,243	–
Deferred income taxes	917,480	(909,976)
Changes in operating assets and liabilities:		
Accounts receivable	237,077	(554,633)
Prepaid expenses and other current assets	(20,544)	(245,471)
Accounts payable and accrued liabilities	741,533	196,107
Operating lease	(275,984)	–
Customer card funding	15,377,724	6,762,253
Net cash provided by operating activities	13,775,819	16,712,779
Cash flows from investing activities:		
Purchase of fixed assets	(1,383,311)	(463,714)
Capitalization of internally developed software	(1,880,283)	(1,492,356)
Purchase of intangible assets	(81,261)	(1,281,064)
Net cash used in investing activities	(3,344,855)	(3,237,134)
Cash flows from financing activities:		
Proceeds from exercise of stock options	172,560	430,919
Repurchase of employee common stock for taxes withheld	(245,425)	–
Net cash provided by (used in) financing activities	(72,865)	430,919
Net change in cash and restricted cash	10,358,099	13,906,564
Cash and restricted cash, beginning of period	45,572,305	31,665,741
Cash and restricted cash, end of period	$ 55,930,404	$ 45,572,305
Cash and restricted cash reconciliation:		
Cash	$ 7,829,453	$ 9,663,746
Restricted cash	48,100,951	35,908,559
Total cash and restricted cash	$ 55,930,404	$ 45,572,305
Supplemental cash flow information:		
Non-cash financing activities		
Acquisition of right-of-use asset by operating lease	$ 4,455,271	$ –
Issuance of stock for asset acquisition	$ 177,200	$ –
Dissolution of noncontrolling interest	$ 263,087	$ –

See accompanying notes to consolidated financial statements.

PAYSIGN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS AND HISTORY

Paysign, Inc. (the "Company," "Paysign," "we" or "our", formerly known as 3PEA International, Inc.) was incorporated on August 24, 1995 under the name of Antek International, Inc. The Company has undergone several name changes before eventually amending our articles of incorporation and changing our name from 3PEA International, Inc. to Paysign, Inc. on April 23, 2019. Additionally, we changed our trading symbol on the NASDAQ Capital Market to "PAYS." The Company acquired 3Pea Technologies, Inc., a payment solutions company, in March 2006, which resulted in 3Pea Technologies, Inc. becoming a wholly owned subsidiary. The Company dissolved its Paysign, Ltd. Subsidiary during 2020, eliminating the related non-controlling interest.

Impact of COVID-19 Pandemic

The outbreak of a novel coronavirus and the incidence of the related disease (COVID-19) starting in late 2019 has continued, spreading throughout the United States and much of the world beginning in the first quarter of 2020. In March 2020, the World Health Organization declared the outbreak as a pandemic. While the disruption is currently expected to be temporary, there is uncertainty around the duration. The COVID-19 outbreak has had and will continue to have an adverse effect on the Company's results of operations. Given the uncertainty around the extent and timing of the potential future spread or mitigation of COVID-19 and around the imposition or relaxation of protective measures, management cannot reasonably estimate the impact to the Company's future results of operations, cash flows, or financial condition.

New stimulus packages signed into law during 2020 have not had a material impact on the Company’s condensed consolidated financial statements.

About Paysign

Paysign, Inc. is a vertically integrated provider of prepaid card products and processing services for corporate, consumer and government applications. Our payment solutions are utilized by our corporate customers as a means to increase customer loyalty, increase patient adherence rates, reduce administration costs and streamline operations. Public sector organizations can utilize our payment solutions to disburse public benefits or for internal payments. The Company markets prepaid card solutions under our Paysign® brand. As we are a payment processor and prepaid card program manager, we derive revenue from all stages of the prepaid card lifecycle.

We provide a card processing platform consisting of proprietary systems and software applications based on the unique needs of our programs. We have extended our processing business capabilities through our proprietary Paysign platform. Through the Paysign platform, we provide a variety of services including transaction processing, cardholder enrollment, value loading, cardholder account management, reporting, and customer service. We design and process prepaid programs that run on the platform through which customers can define the services they wish to offer cardholders.

The Paysign brand offers prepaid card solutions or “card products” for corporate incentive and rewards including, but not limited to rebates and rewards, donor compensation, clinical trials, healthcare reimbursement payments and pharmaceutical payment assistance. We have expanded our product offerings to include additional corporate incentive products and demand deposit accounts accessible with a debit card. We plan to further expand our product offerings into other prepaid card products such as payroll cards, travel cards, and expense reimbursement cards. Our cards are sponsored by our issuing bank partners.

Our proprietary Paysign platform was built on modern cross-platform architecture and designed to be highly flexible, scalable and customizable. The platform’s flexibility and ease of customization has allowed us to expand our operational capabilities by facilitating our entry into new markets within the payments space. The Paysign platform delivers cost benefits and revenue building opportunities to our partners.

We manage all aspects of the prepaid card lifecycle, from managing the card design and approval processes with partners and networks, to production, packaging, distribution, and personalization. We oversee inventory and security controls, renewals, lost and stolen card management and replacement. We deploy a fully staffed, in-house customer service department which utilizes bilingual customer service agents, Interactive Voice Response (IVR), and two-way short message service (SMS) messaging and text alerts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation – The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany balances and transactions have been eliminated.

Year end – The Company’s year-end is December 31.

Use of estimates – The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect (i) the reported amounts of assets and liabilities, (ii) the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and (iii) the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents – The Company considers all highly liquid investments purchased with an original maturity of three months or less at the time of purchase to be cash equivalents for the purposes of the statement of cash flows. The Company had no cash equivalents at December 31, 2020 and 2019.

Restricted cash – At December 31, 2020 and 2019, restricted cash consist of funds held specifically for our card product programs that are contractually restricted to use. The Company includes changes in restricted cash balances with cash and cash equivalents when reconciling the beginning and ending total amounts in our consolidated statements of cash flows.

Fixed assets – Fixed assets are stated at cost less accumulated depreciation. Depreciation is principally recorded on the straight-line method over the estimated useful lives of the assets, which are generally 3 to 10 years. The cost of repairs and maintenance is charged to expense as incurred. Leasehold improvements are capitalized and depreciated over the shorter of the remaining lease term or the estimated useful life of the improvements. Expenditures for property betterments and renewals are capitalized. Upon sale or other disposition of a depreciable asset, cost and accumulated depreciation are removed from the accounts and any gain or loss is reflected in other income (expense).

The Company periodically evaluates whether events and circumstances have occurred that may warrant revision of the estimated useful life of fixed assets or whether the remaining balance of fixed assets should be evaluated for possible impairment. The Company uses an estimate of the related undiscounted cash flows over the remaining life of the fixed assets in measuring their recoverability.

Intangible assets – For intangible assets, we recognize an impairment loss if the carrying amount of the intangible asset is not recoverable and exceeds fair value. The carrying amount of the intangible asset is considered not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use of the asset.

Intangible assets with finite lives are amortized on a straight-line basis over their estimated useful lives.

Internally Developed Software Costs – Computer software development costs are expensed as incurred, except for internal use software or website development costs that qualify for capitalization as described below, and include compensation and related expenses, costs of hardware and software, and costs incurred in developing features and functionality.

For computer software developed or obtained for internal use, costs that are incurred in the preliminary project and post implementation stages of software development are expensed as incurred. Costs incurred during the application and development stage are capitalized. Capitalized costs are amortized using the straight-line method over a three to five year estimated useful life, beginning in the period in which the software is available for use.

Customer card funding – At December 31, 2020, customer card funding represents funds loaded on our prepaid card programs. At December 31, 2019, customer card funding represents funds loaded on our prepaid card programs less settlement income recognized on current programs.

Fair value of financial instruments – Under applicable accounting guidance, fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

We determine the fair values of our financial instruments based on the fair value hierarchy established under applicable accounting guidance which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following describes the three-level hierarchy:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. We currently do not have any assets or liabilities in this category.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the overall fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments for which the determination of fair value requires significant management judgment or estimation. The fair value for such assets and liabilities is generally determined using pricing models, market comparables, discounted cash flow methodologies or similar techniques that incorporate the assumptions a market participant would use in pricing the asset or liability. We currently do not have any assets or liabilities in this category.

Earnings per share– Basic earnings per share exclude any dilutive effects of options, warrants and convertible securities. Basic earnings per common share is computed using the weighted-average number of outstanding common stock shares during the applicable period. Diluted earnings per common share is computed using the weighted-average number of common and common stock equivalent shares outstanding during the period, using the treasury stock method Common stock equivalent shares are excluded from the computation if their effect is antidilutive. (See Note 8).

Income taxes – Our income tax expense is comprised of current and deferred income tax expense. Current income tax expense approximates taxes to be paid or refunded for the current period. Deferred income tax expense results from the changes in deferred tax assets and liabilities during the periods. These gross deferred tax assets and liabilities represent decreases or increases in taxes expected to be paid in the future because of future reversals of temporary differences between the basis of assets and liabilities as measured by tax laws and their basis as reported in our consolidated financial statements. We also recognize deferred tax assets for tax attributes such as net operating loss carryforwards and tax credit carryforwards. We record valuation allowances to reduce deferred tax assets to the amounts we conclude are more likely-than-not to be realized in the foreseeable future. While the Company has considered future taxable income and ongoing prudent and feasible tax strategies in assessing the need for the valuation allowance, if these estimates and assumptions change in the future, the Company may be required to adjust its valuation allowance.

We recognize and measure income tax benefits based upon a two-step model: 1) a tax position must be more likely-than-not to be sustained based solely on its technical merits in order to be recognized, and 2) the benefit is measured as the largest dollar amount of that position that is more likely-than-not to be sustained upon settlement. The difference between the benefit recognized for a position and the tax benefit claimed on a tax return is referred to as an unrecognized tax benefit. We accrue income tax related interest and penalties, if applicable, within income tax expense.

We have filed consolidated tax returns whereby past subsidiary losses are used to offset tax liabilities on current profits. This approach could be challenged by the Internal Revenue Service ("IRS") and if not accepted, may affect net income and earnings per share. Management believes that the likelihood of the IRS not accepting such filings is minimal.

Revenue and expense recognition – In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU No. 2014-09, *Revenue from Contracts with Customers (ASC Topic 606),* guidance on recognizing revenue from contracts with customers. The guidance outlines a single comprehensive model to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the model is that an entity recognizes revenue to portray the transfer of goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard also expands disclosure requirements regarding revenue recognition. We adopted this guidance as of January 1, 2018 using the modified retrospective transition method. The adoption of the guidance did not have a material impact on our financial condition and results of operations. The standard also requires new, expanded disclosures regarding revenue recognition.

The Company recognizes revenue when goods or services are transferred to customers in an amount that reflects the consideration which it expects to receive in exchange for those goods or services. In determining when and how revenue is recognized from contracts with customers, the Company performs the following five-step analysis: (i) identification of contract with customers; (ii) determination of performance obligations; (iii) measurement of the transaction price; (iv) allocation of the transaction price to the performance obligations; and (v) recognition of revenue when (or as) the Company satisfies each performance obligations.

The Company generates revenues from Plasma card programs through fees generated from cardholder fees and interchange fees. Revenues from Pharma card programs are generated through card program management fees, interchange fees, and settlement income.

Plasma and Pharma card program revenues include both fixed and variable components. Our cardholder fees represent an obligation to the cardholder based on a per transaction basis and recognized at a point in time when the performance obligation is fulfilled. Card program management fees include an obligation to our card program sponsors and are generally recognized when earned on a monthly basis pursuant to the contract terms which are generally multi-year contracts. Interchange fees are earned when customer-issued cards are processed through card payment networks as the nature of our promise to the customer is that we stand ready to process transactions at the customer's requests on a daily basis over the contract term. Since the timing and quantity of transactions to be processed by us is not determinable, we view interchange fees to comprise an obligation to stand ready to process as many transactions as the customer requests. Accordingly, the promise to stand ready is accounted for as a single series performance obligation. The company uses the right to invoice practical expedient and recognizes revenue concurrent with the processing of card transactions.

Previously, settlement income from Pharma programs was recognized and recorded, after giving consideration to any revenue constraints, ratably throughout the program lifecycle based on the Company's estimate of the unspent balances to be remaining on the card at program expiration. During 2020, the Company observed substantially different performance indicators, current trends in the industry regarding program management by third parties, and new information available in dollar loads and spending patterns compared to historical experience. As a result, the Company changed its estimate of breakage for recognizing settlement income for Pharma programs resulting in the Company constraining revenue on all Pharma programs in accordance with applicable accounting guidance. Based on the recently observed change in facts and circumstances, the Company utilizes the remote method of revenue recognition for settlement income whereby the unspent balances will be recognized as revenue at the expiration of the cards and the respective program. The Company records all revenue on a gross basis since it is the primary obligor and establishes the price in the contract arrangement with its customers. The Company is currently under no obligation for refunding any fees, and the Company does not currently have any obligations for disputed claim settlements. Given the nature of the Company's services and contracts, it has no contract assets.

Cost of revenues is comprised of transaction processing fees, data connectivity and data center expenses, network fees, bank fees, card production costs, customer service, program management, application integration setup, and sales and commission expense.

Operating leases – The Company determines if a contract is or contains a leasing element at contract inception or the date in which a modification of an existing contract occurs. In order for a contract to be considered a lease, the contract must transfer the right to control the use of an identified asset for a period of time in exchange for consideration. Control is determined to have occurred if the lessee has the right to (i) obtain substantially all of the economic benefits from the use of the identified asset throughout the period of use and (ii) direct the use of the identified asset.

In determining the present value of lease payments at lease commencement date, the Company utilizes its incremental borrowing rate based on the information available, unless the rate implicit in the lease is readily determinable. The liability for operating leases is based on the present value of future lease payments. Operating lease expenses are recorded as rent expense, which is included within selling, general and administrative expenses, within the consolidated statements of operations and presented as operating cash outflows within the consolidated statements of cash flows.

Stock-based compensation – The Company recognizes compensation expense for all restricted stock awards and stock options. The fair value of restricted stock awards is measured using the grant date trading price of our stock. The fair value of stock options is estimated at the grant date using the Black-Scholes option-pricing model, and the portion that is ultimately expected to vest is recognized as compensation cost over the requisite service period. We have elected to recognize compensation expense for all options with graded vesting on a straight-line basis over the vesting period of the entire option. The determination of fair value using the Black-Scholes pricing model is affected by our stock price as well as assumptions regarding a number of complex and subjective variables, including expected stock price volatility and the risk-free interest rate.

Advertising costs – Advertising costs incurred in the normal course of operations are expensed as incurred. During the years ended December 31, 2020 and 2019, the Company expensed $99,312 and $165,940, respectively, included in Selling, general and administrative expense.

New accounting pronouncements – In August 2018, the FASB issued ASU No. 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement. The amendments in ASU No. 2018-13 provide clarification and modify the disclosure requirements on fair value measurement in Topic 820, Fair Value Measurement. The amendments in this ASU No. 2018-13 are effective for public business entities for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years, with early adoption permitted. We adopted this new standard on January 1, 2020, and there was no material impact to our financial statements.

In December 2019, the FASB issued ASU No. 2019-12, *Simplifying the Accounting for Income Taxes* ("ASU 2019-12"), which intends to simplify the guidance by removing certain exceptions to the general principles and clarifying or amending existing guidance. ASU 2019-12 is effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. The standard allows for the adoption on a prospective basis. The Company is currently evaluating the impact of the adoption of ASU 2019-12 on its consolidated financial statements.

3. FIXED ASSETS

Fixed assets consist of the following:

	December 31, 2020	December 31, 2019
Equipment	$ 1,888,640	$ 2,026,549
Software	200,282	180,223
Furniture and fixtures	752,212	149,684
Website costs	67,816	34,971
Leasehold improvements	203,488	52,894
	3,112,438	2,444,321
Less: accumulated depreciation	1,263,274	1,507,136
Fixed assets, net	$ 1,849,164	$ 937,185

Depreciation expense for the year ended December 31, 2020 and 2019 was $428,434 and $410,019, respectively. During the year ended December 31, 2020, the Company relocated its corporate headquarters and recognized a $42,898 loss on abandonment of assets primarily related to leasehold improvements.

4. INTANGIBLE ASSETS

Intangible assets consist of the following:

	December 31, 2020	December 31, 2019
Patents and trademarks	$ 38,186	$ 39,053
Platform	7,478,419	5,598,136
Customer lists and contracts	1,177,200	1,177,200
Kiosk development	–	64,802
Licenses	234,282	534,569
	8,928,087	7,413,760
Less: accumulated amortization	5,229,054	3,597,528
Intangible assets, net	$ 3,699,033	$ 3,816,232

Intangible assets are amortized over their useful lives ranging from periods of 3 to 5 years. Amortization expense for the year ended December 31, 2020 and 2019 was $1,696,329 and $1,073,121, respectively. During 2020, the Company reviewed the carrying value of acquisition costs related to a business license and determined that there was an impairment necessary due to the fact that the efforts to acquire the license had been suspended. As the impairment was deemed other than temporary, an impairment of $382,414 was recorded during the third quarter of 2020. During the year ended December 31, 2019, we acquired customer lists and contracts from a third party totaling $1,177,200, which is being amortized over a period of 3 to 5 years.

Estimated future amortization expense is as follows:

2021	$ 1,637,130
2022	1,170,935
2023	583,438
2024	224,192
2025	8,986
Thereafter	74,352
Total amortization expense	$ 3,699,033

5. LEASE

The Company entered into an operating lease for an office space which became effective in June 2020 when the construction was complete and we were given access to occupy the space. The lease term is 10 years from the effective date and allows for two optional extensions of five years each. The two optional extensions are not recognized as part of the right-of-use asset or lease liability since it is not reasonably certain that the Company will extend this lease. As of December 31, 2020, the remaining lease term was 10 years and the discount rate was 6%. The lease for our previous office space was accounted for as a short-term lease.

Operating lease cost included in selling, general and administrative expenses was $489,104 for the year ended December 31, 2020. Short-term lease cost included in selling, general and administrative expense was $94,906 and $223,847 for the year ended December 31, 2020 and 2019, respectively.

The following is the lease maturity analysis of our operating lease as of December 31, 2020:

Twelve months ending December 31,	
2021	$ 571,968
2022	571,968
2023	571,968
2024	571,968
2025	612,006
Thereafter	2,829,335
Total lease payments	5,729,213
Less: Imputed interest	1,394,979
Present value of future lease payments	4,334,234
Less: current portion of lease liability	(320,636)
Long-term portion of lease liability	$ 4,013,598

6. CUSTOMER CARD FUNDING LIABILITY

The Company issues prepaid cards with various provisions for cardholder fees or expiration. Revenue generated from cardholder fees and interchange fees are recognized when the Company's performance obligation is fulfilled. Unspent balances left on Pharma cards are recognized as settlement income at the expiration of the cards and the program (Note 2). Contract liabilities related to prepaid cards represent funds on card and client funds held to be loaded to card before the amounts are ultimately spent by the cardholders or recognized as revenue by the Company. Contract liabilities related to prepaid cards are reported as Customer card funding liability on the consolidated balance sheet.

The opening and closing balances of the Company's contract liabilities are as follows:

	Year Ended December 31,			
		2020		2019
Beginning balance	$	32,723,227	$	25,960,974
Increase (decrease), net		15,377,724		6,762,253
Ending balance	$	48,100,951	$	32,723,227

The amount of revenue recognized during the years ended December 31, 2020 and 2019 that was included in the opening contract liability for prepaid cards was $844,514 and $818,889, respectively.

7. COMMON STOCK

At December 31, 2020, the Company's authorized capital stock was 150,000,000 shares of common stock, par value $0.001 per share, and 25,000,000 shares of preferred stock, par value $0.001 per share. On that date, the Company had issued 50,251,607 shares of common stock, and no shares of preferred stock outstanding.

In 2019, the Company's shareholders approved the 3Pea International, Inc. 2018 Incentive Compensation Plan (the "2018 Plan"), which was approved by the board of directors on July 18, 2018. The Plan permits the Company to issue awards or options to the officers, directors, employees, consultants and other persons who provide services to our company or any related entity. Pursuant to the 2018 Plan, 5,000,000 shares of the Company's common stock are reserved for issuance. Any awards or options that are not settled in shares of common stock are not counted against the limit. Stock options granted under the 2018 Plan generally vest over four or five years and expire in ten years. Stock awards granted under the 2018 Plan generally vest over four of five years. In general, if an employee is terminated, any unvested options or awards as of the date of termination will be forfeited. As of December 31, 2020, there were 3,478,533 shares available for future grants under the 2018 Plan.

The Company issues new shares of common stock upon exercise of stock options or vesting stock awards.

Stock-based compensation expense for the years ended December 31, 2020 and 2019 was $2,971,777 and $2,528,613, respectively, and is included in selling, general and administrative expense. As of December 31, 2020, the Company's unrecognized stock-based compensation expense related to stock options and stock awards was $2,722,518 and $5,117,179, respectively, which are expected to be recognized over a weighted-average period of 2.60 year for stock options and 3.45 years for stock awards.

2020 Transactions: During the year ended December 31, 2020, the Company issued shares of common stock as follows:

- 71,900 shares of common stock were issued related to the exercise of vested stock options and received cash proceeds totaling $172,560.
- 1,581,995 shares of common stock were issued for vested stock awards to employees.
- 20,000 shares of common stock were issued for an asset acquisition.

2019 Transactions: During the year ended December 31, 2019, the Company issued shares of common stock as follows:

- 245,800 shares of common stock were issued related to the exercise of vested stock options and received cash proceeds totaling $430,919.
- 1,891,147 shares of common stock were issued for vested stock awards to employees.

Stock Options

A summary of stock options activity for the years ended December 31, 2020 and 2019 is presented as follows:

	Shares		Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)		Aggregate Intrinsic Value
Outstanding at December 31, 2018	2,707,327	$	2.00			
Granted	–		–			
Exercised	(245,800)		1.75			
Forfeited/expired	(57,727)		2.40			
Outstanding at December 31, 2019	2,403,800	$	2.01	8.45	$	19,565,450
Granted	500,000		3.87			
Exercised	(71,900)		2.40			

Forfeited/expired	(144,200)		2.91			
Outstanding at December 31, 2020	2,687,700	$	2.30	7.74	$	6,294,948
Exercisable at December 31, 2020	896,100	$	1.91	7.42	$	2,445,264

A summary of unvested options activity for the years ended December 31, 2020 and 2019 was as follows:

	Shares		Weighted-Average Grant Date Fair Value
Unvested at December 31, 2018	2,707,327	$	2.00
Granted	–		–
Forfeited/expired	(57,727)		2.40
Vested	(610,200)		1.91
Unvested at December 31, 2019	2,039,400	$	2.01
Granted	500,000		3.87
Forfeited/expired	(144,200)		2.91
Vested	(603,600)		1.91
Unvested at December 31, 2020	1,791,600	$	2.49

The weighted average grant date fair value of options granted and the total intrinsic value of options exercised for the years ended December 31, 2020 and 2019 is as follows:

		2020		2019
Weighted average grant date fair value of options granted	$	2.86	$	–
Intrinsic value of options exercised	$	370,764	$	2,605,923

The Company uses the Black-Scholes option pricing model to estimate the fair value and compensation cost associated with employee stock options, which requires the consideration of historical employee exercise behavior, the volatility of the Company's stock price, the weighted-average risk-free interest rate and the weighted-average expected life of the options. Forfeitures are included when they are incurred. Any changes in these assumptions may materially affect the estimated fair value of the share-based award. The weighted-average assumptions used in the Black-Scholes option-pricing model for the year ended December 31, 2020 was a risk-free interest rate of 0.38% consistent with the expected term of the options, expected volatility of 100% based on the historical actual volatility of the Company's stock, dividend yield of -0- as the Company has no history of paying dividends and the weighted-average expected life of 5 years.

Stock Awards

A summary of stock awards activity for the years ended December 31, 2020 and 2019 was as follows:

	Shares		Weighted-Average Grant Date Fair Value
Outstanding at December 31, 2018	5,795,000	$	0.94
Granted	576,147		9.50
Forfeited	(170,000)		4.47
Vested	(1,801,147)		0.68
Outstanding at December 31, 2019	4,400,000	$	2.06
Granted	254,747		7.80
Forfeited	(792,500)		4.61
Vested	(1,629,558)		0.89
Outstanding at December 31, 2020	2,232,689	$	2.70

8. BASIC AND FULLY DILUTED NET INCOME (LOSS) PER COMMON SHARE

The following table sets forth the computation of basic and fully diluted net income (loss) per common share for the years ended December 31, 2020 and 2019:

		2020		2019
Numerator:				
Net income (loss) attributable to Paysign, Inc.	$	(9,141,562)	$	7,454,319
Denominator:				
Weighted average common shares:				
Denominator for basic calculation		49,272,494		47,436,754
Weighted average effects of potentially diluted common stock:				
Stock options (calculated under treasury method)		–		2,079,669
Unvested restricted stock awards		–		5,033,946
Denominator for fully diluted calculation		49,272,494		54,550,369
Net income (loss) per common share:				
Basic	$	(0.19)	$	0.16
Fully diluted	$	(0.19)	$	0.14

Due to the net loss for the year ended December 31, 2020, the effect of all potential common share equivalents was anti-dilutive, and therefore, all such shares were excluded from the computation of diluted weighted average shares outstanding for the period. The amount of potential common share equivalents excluded were 2,687,700 stock options and 2,232,689 unvested restricted stock awards for the year ended December 31, 2020.

9. COMMITMENTS AND CONTINGENCIES

Data Center Lease – The Company leases space on a monthly basis for its data centers in Nevada under a co-location agreement. The agreement provides for lease payments of approximately $8,000 per month.

Pending of threatened litigation –From time to time, we may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business.

The Company has been named as a defendant in three complaints filed in the United States District Court for the District of Nevada: Yilan Shi v. Paysign, Inc. et. al., filed on March 19, 2020 ("Shi"), Lorna Chase v. Paysign, Inc. et. al., filed on March 25, 2020 ("Chase"), and Smith & Duvall v. Paysign, Inc. et. al., filed on April 2, 2020 ("Smith" and collectively, the "Complaints" or "Securities Class Action"). Smith was voluntarily dismissed on May 21, 2020. On May 18, 2020, the Shi plaintiffs and another entity called the Paysign Investor Group each filed a motion to consolidate the remaining Shi and Chase actions and to be appointed lead plaintiff. The Complaints are putative class actions filed on behalf of a class of persons who acquired the Company's common stock from March 12, 2019 through March 31, 2020, inclusive. The Complaints generally allege that the Company, Mark R. Newcomer, and Mark Attinger violated Section 10(b) of the Exchange Act, and that Messrs. Newcomer and Attinger violated Section 20(a) of the Exchange Act, by making materially false or misleading statements, or failing to disclose material facts, regarding the Company's internal control over financial reporting and its financial statements. The Complaints seek class action certification, compensatory damages, and attorney's fees and costs. On December 2, 2020, the Court consolidated Shi and Chase as In re Paysign, Inc. Securities Litigation and appointed the Paysign Investor Group as lead plaintiff. On January 12, 2021, Plaintiffs filed an Amended Complaint in the consolidated action. Defendants filed a Motion to Dismiss the Amended Complaint on March 15, 2021. As of the date of this filing, Paysign cannot give any meaningful estimate of likely outcome or damages.

The Company has also been named as a nominal defendant in a stockholder derivative action in the U.S. District Court for the District of Nevada: Andrzej Toczek, derivatively on behalf of Paysign, Inc. v. Mark, R. Newcomer, et. al., filed on September 17, 2020. This action alleges violations of Section 14(a) of the Exchange Act, breach of fiduciary duty, unjust enrichment, and waste, largely in connection with the failure to correct information technology controls over financial reporting alleged in the Securities Class Action, thereby causing the Company to face exposure in the Securities Class Action. The derivative complaint also alleges insider trading, violations against certain individual defendants. On December 16, 2020, the Court approved a stipulation staying the action until the Court in the consolidated Securities Class Action issues a ruling on the anticipated Motion to Dismiss. As of the date of this filing, Paysign cannot give any meaningful estimate of likely outcome or damages.

10. RELATED PARTY

A member of our Board of Directors is also a partner in a law firm that the Company paid approximately $609,459 and $42,000 during the years ended December 31, 2020 and 2019.

11. INCOME TAXES

The income tax provision (benefit) on the statements of operations was comprised of the following for the years ended December 31:

		2020		2019
Current income taxes	$	(23,298)	$	–
Deferred income tax provision (benefit)		917,480		(909,976)
Income tax provision (benefit)	$	894,182	$	(909,976)

Deferred tax assets are comprised of the following at December 31:

		2020		2019
Deferred tax assets:				
Net operating loss carryforward	$	4,261,552	$	837,327
Operating lease obligation		1,016,847		–
Stock-based compensation		650,737		497,760
Tax credits		491,261		175,859
Capital loss carryforward and other		270,551		5,825
		6,690,948		1,516,771
Deferred tax liabilities:				
Amortization of intangibles assets		(548,149)		(430,885)
Depreciation of fixed assets		(435,218)		(168,406)
Right-of-use assets		(1,014,606)		–

	(1,997,973)	(599,291)
Less valuation allowance	(4,692,975)	–
Deferred tax asset, net	$ –	917,480

Deferred taxes arise from temporary differences in the recognition of certain expenses for tax and financial reporting purposes. At December 31, 2020, management determined that its more-likely-than-not that the Company's net deferred tax assets would not be realized in the near future and placed a full valuation allowance on the deferred tax assets. At December 31, 2020 and 2019, net operating loss carryforwards were $18,164,542 and $3,987,271, respectively. $882,542 of the net operating loss carryforwards will expire from 2034 through 2037. At December 31, 2020 state net operating loss carryforwards range from $0 to $4,518,949 which expire from 2034 to 2040. During the year ended December 31, 2020, none of the net operating loss carryforward was utilized.

For the years ended December 31, 2020 and 2019, the reconciliation of the federal statutory tax rate to the benefit rate for income taxes is as follows:

	2020	**2019**
Statutory federal tax rate	21.0%	21.0%
Permanent differences – stock-based compensation	14.9	(33.9)
Permanent differences – R&D tax credit	1.3	(0.9)
Return-to-provision adjustments	2.8	–
Change in valuation allowance	(56.9)	–
Change in carryovers and tax attributes	6.1	(0.1)
Effective tax rate	(10.8)%	(13.9)%

12. CHANGE IN ACCOUNTING ESTIMATE

The Company generates settlement income from breakage on Pharma industry programs which was previously recognized and recorded ratably throughout the account and program lifecycle based on expected dollar loads, spending patterns and historical experience. The Company accumulated data trends on over 100 Pharma programs over the last 10 years and has historically realized settlement income from breakage at an average rate of approximately 23.5%, calculated as unspent balances as a percentage of dollars loaded to card. The most recent completed programs in the prior year performed consistent with our historical breakage estimates. During the third quarter of 2020, the Company changed its estimate of breakage for recognizing settlement income for Pharma programs based on substantially different performance indicators observed, current trends in the industry regarding program management by third parties, and new information available in dollar loads and spending patterns compared to historical experience. Given these triggering events based on the new information observed, this change in accounting estimate resulted in the Company constraining revenue on all Pharma programs in accordance with ASC 606 by changing the estimate of breakage to the remote method of revenue recognition for settlement income whereby the unspent balances will be recognized as revenue at the expiration of the cards and the respective program. This has resulted in the reversal of all previously recognized settlement income for all current Pharma programs. The adjustment was a $6,293,203 reduction in Pharma revenue and an increase in net loss after the impact of income taxes of $4,971,630 or $(0.10) per basic and diluted share for the year ended December 31, 2020.

13. SUBSEQUENT EVENTS

In 2021, we issued to employees a total of 466,689 shares of common stock for vested stock awards and 32,586 shares for exercised options.

On February 24, 2021 the Company announced that Mr. Mark K. Attinger resigned from his position as Chief Financial Officer of the Company, effective February 19, 2021, and that the Board had appointed Jeffery Baker to succeed Mr. Attinger as Chief Financial Officer, effective February 22, 2021. Per the terms of Mr. Attinger's severance agreement, the Company will continue to pay his salary and benefits through September 30, 2021 and his stock options and stock awards will continue to vest through March 2021 and October 2021, respectively.

Exhibit 21

Subsidiaries of the Registrant

3Pea Technologies, Inc., a Nevada corporation – 100% owned by Registrant

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-230632, No. 333-230634 and No. 333-233400) of Paysign, Inc. of our report dated March 26, 2021, relating to the consolidated financial statements, which appears in this Form 10-K.

/s/ BDO USA, LLP

Las Vegas, Nevada
March 26, 2021

Exhibit 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statements on Form S-8 (No. 333-230632, No. 333-230634 and No. 333-233400), of Paysign, Inc. of our reports dated April 3, 2020, relating to our audit of the consolidated financial statements (which report expresses an unqualified opinion) of Paysign, Inc., which appear in the Annual Report on Form 10-K of Paysign, Inc. for the year ended December 31, 2020.

/s/ BAKER TILLY US, LLP (formerly SQUAR MILNER LLP)

Los Angeles, California
March 26, 2021

Exhibit 31.1

CERTIFICATIONS

I, Mark Newcomer, certify that:

(1) I have reviewed this annual report on Form 10-K for the period ended December 31, 2020 (the “report”) of Paysign, Inc.;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

(4) The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

(5) The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 26, 2021

/s/ Mark Newcomer
Mark Newcomer
Chief Executive Officer
(principal executive officer)

Exhibit 31.2

CERTIFICATIONS

I, Jeff Baker, certify that:

(1) I have reviewed this annual report on Form 10-K for the period ended December 31, 2020 (the “report”) of Paysign, Inc.;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

(4) The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

(5) The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 26, 2021

/s/ Jeff Baker
Jeff Baker
Chief Financial Officer
(principal financial officer)

Exhibit 31.3

CERTIFICATIONS

I, Mark Attinger, certify that:

(1) I have reviewed this annual report on Form 10-K for the period ended December 31, 2020 (the “report”) of Paysign, Inc.;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

(4) The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

(5) The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 26, 2021

/s/ Mark Attinger
Mark Attinger
Executive Vice President
(principal accounting officer)

Exhibit 32.1

SECTION 1350 CERTIFICATIONS

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, Mark Newcomer, the Chief Executive Officer of Paysign, Inc., a Nevada corporation (the "Company"), does hereby certify, to the best of my knowledge, that:

1. The Annual Report on Form 10-K for the period ended December 31, 2020 (the "Report") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Mark Newcomer
Mark Newcomer,
Chief Executive Officer
(principal executive officer)

Date: March 26, 2021

Exhibit 32.2

SECTION 1350 CERTIFICATIONS

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, Jeff Baker, the Chief Financial Officer of Paysign, Inc., a Nevada corporation (the "Company"), does hereby certify, to the best of my knowledge, that:

1. The Annual Report on Form 10-K for the period ended December 31, 2020 (the "Report") of the Company complies fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Jeff Baker
Jeff Baker
Chief Financial Officer
(principal financial officer)

Date: March 26, 2021

Exhibit 32.3

SECTION 1350 CERTIFICATIONS

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, Mark Attinger, the Executive Vice President of Paysign, Inc., a Nevada corporation (the "Company"), does hereby certify, to the best of my knowledge, that:

1. The Annual Report on Form 10-K for the period ended December 31, 2020 (the "Report") of the Company complies fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Mark Attinger
Mark Attinger
Executive Vice President
(principal accounting officer)

Date: March 26, 2021